

**Supporting Statement for the
Domestic Branch Application
(FR 4001; OMB No. 7100-0097)**

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, without revision, the filing requirements associated with the Domestic Branch Application (FR 4001; OMB No. 7100-0097). The Federal Reserve Act and the Board's Regulation H require a state member bank to seek prior approval of the Federal Reserve System before establishing or acquiring a domestic branch. Such requests for approval must be filed as applications at the appropriate Reserve Bank for the state member bank.

Due to the limited information that a state member bank generally has to provide for branch proposals, there is no reporting form for a domestic branch application. A state member bank is required to notify the Federal Reserve by letter of its intent to establish one or more new branches and provide with the letter evidence that public notice of the proposed branch(es) has been published by the state member bank in the appropriate newspaper(s).¹ The Federal Reserve uses the information provided to fulfill its statutory obligation to review branch applications before acting on the proposals and to otherwise supervise state member banks. The estimated total annual burden for the FR 4001 is 608 hours.

Background and Justification

Under section 9 of the Federal Reserve Act (12 U.S.C. 321) and section 208.6 of Regulation H (12 CFR 208.6), a state member bank is required to obtain Board approval before establishing or acquiring a domestic branch.² The Federal Reserve uses the information included in the application, along with available supervisory and financial information, to determine whether to approve the application. Under section 208.6 of Regulation H, the factors that the Board must consider in acting on branch applications include (1) the financial history and condition of the applying bank and the general character of its management, (2) the adequacy of

¹ The Board's Rules of Procedure (12 CFR part 262) require the use of newspaper for public notifications. For the purposes of FR 4001, the notice must be published in a newspaper of general circulation in the community or communities in which the head office of the bank and the proposed branch are located.

² The regulation defines "branch" to include "any branch bank, branch office, branch agency, additional office, or any branch place of business located in the United States or its territories (including the District of Columbia) at which deposits are received, or checks paid, or money lent." Regulation H states that branches do not include (1) a loan-origination facility where the proceeds of loans are not disbursed, (2) an office of an affiliated or unaffiliated institution that provides services to customers of the member bank on behalf of the member bank so long as the institution is not established or operated by the bank, (3) an automated teller machine, (4) a remote service unit, (5) a facility to which the bank does not permit members of the public to have physical access for purposes of making deposits, paying checks, or borrowing money (such as an office established by the bank that receives deposits only through the mail), or (6) a facility that is located at the site of, or is an extension of, an approved main office or branch. The Board determines whether a facility is an extension of an existing main or branch office on a case-by-case basis. In addition, the branches of state member banks located in foreign nations, in the overseas territories, dependencies, and insular possessions of those nations and of the United States, and in the Commonwealth of Puerto Rico, are subject to the Board's Regulation K (12 CFR part 211).

the bank's capital and its future earnings prospects, (3) the convenience and needs of the community to be served by the branch, (4) in the case of branches with deposit-taking capability, the bank's performance under the Community Reinvestment Act (CRA),³ and (5) whether the bank's investment in bank premises in establishing the branch satisfies certain criteria.⁴

Branch applications are reviewed by the Federal Reserve on either an expedited or nonexpedited processing track. An application filed by an "eligible bank" may be reviewed on an expedited processing track. An eligible bank is defined in section 208.2(e) of Regulation H as a bank that (1) is well-capitalized as defined in Subpart D of the regulation, (2) has a Uniform Financial Institutions Rating System composite CAMELS rating of 1 or 2, (3) has a CRA rating of outstanding or satisfactory, (4) has a compliance rating of 1 or 2, and (5) has no major unresolved supervisory issues outstanding (as determined by the Board or appropriate Federal Reserve Bank in its discretion).

Description of Information Collection

No application form exists for a state member bank to establish or acquire a domestic branch. The state member bank is required, however, to submit to the appropriate Reserve Bank an application in letter form that states the facts involved and includes general information on the action requested.⁵ This information includes a description of the proposed branch and its proposed location, as well as evidence (such as a copy of the actual notice) that public notice of the proposed transaction has been published by the state member bank in the appropriate newspaper(s). A bank that meets the criteria for expedited treatment files only this information (and the certification described below). A bank that does not meet the criteria for expedited treatment typically is required to provide more detailed information addressing the matters that prevent the application from qualifying for expedited treatment as well as any other outstanding issues identified by the Federal Reserve.⁶

As soon as practicable after the initial filing of a domestic branch application and prior to final action on the application by the Federal Reserve, the applicant must provide a certified copy of the requisite newspaper notice publication(s). The original newspaper notice must contain the name and location of the proposed branch, and must invite the public to submit written comments on the proposal to the appropriate Reserve Bank. The comment period must be for at least 15 calendar days. Sections 208.6(a)(3) and (4) of Regulation H describe the procedural rules for public notice and comment for branch applications.

Regulation H also has a provision allowing for the filing of consolidated branch applications. Under this provision, a state member bank may seek approval in a single application for any branches that it proposes to establish within one year after the contemplated

³ 12 U.S.C. 2901 et seq.

⁴ Applicable criteria are outlined in 12 CFR 208.21.

⁵ Requests that involve the acquisition of an existing branch from another insured depository institution also require the filing of a related application under the Bank Merger Act (12 U.S.C. 1828(c)). The information required by the FR 4001 may be incorporated in the Bank Merger Act application, with the related filings reviewed together as a single proposal.

⁶ A state member bank may be advised by the Federal Reserve that it is not eligible for expedited procedures either before or after the filing of a domestic branch application.

approval date. Unless notification is waived, the bank shall notify the appropriate Federal Reserve Bank no later than 30 days after opening any branch approved under the consolidated application.

Time Schedule for Information Collection

This information collection is event generated. The domestic branch application must be filed prior to a state member bank establishing or acquiring a branch.

Legal Status

The Board's filing requirements associated with the Domestic Branch Application are authorized under section 9(3) of the Federal Reserve Act (12 U.S.C. 321), which requires state member banks to obtain Board approval before establishing a domestic branch. The obligation of state member banks to request prior approval from the Federal Reserve to establish a domestic branch is mandatory.

The information contained in a state member bank's Domestic Branch Application is considered public. A state member bank's request that any portion(s) of a Domestic Branch Application be kept confidential pursuant to exemption 4 of the Freedom of Information Act (5 U.S.C. 552(b)(4)) must be submitted in accordance with section 261.15 of the Board's Rules Regarding Availability of Information (12 CFR 261.15).

Consultation Outside the Agency

There has been no consultation outside the agency.

Public Comments

On November 30, 2018, the Board published an initial notice in the *Federal Register* (83 FR 61636) requesting public comment for 60 days on the extension, without revision, of the FR 4001. The comment period for this notice expired on January 29, 2019. The Board did not receive any comments. On February 28, 2019, the Board published a final notice in the *Federal Register* (84 FR 6788).

Estimate of Respondent Burden

There have been no changes to the reporting requirements for the FR 4001 since the previous extension in 2016. The FR 4001 annual reporting burden estimate is based on the total number and type of applications processed in 2017. The respondent burden is estimated to be 1.5 hours for expedited applications and 2 hours for nonexpedited applications. The estimated total annual burden for the FR 4001 is 608 hours. These reporting requirements represent less than 1 percent of the Board's total paperwork burden.⁷

⁷ The respondent numbers reflected in the following chart include applications to acquire established branches that are filed with Bank Merger Act applications.

FR 4001	<i>Estimated number of respondents⁸</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Expedited	65	1	1.5	98
Nonexpedited	255	1	2.0	<u>510</u>
<i>Total</i>				608

The estimated total annual cost to the public for the FR 4001 is \$35,021.⁹

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

The estimated cost to the Federal Reserve System for collecting and processing the FR 4001 is \$128,400.

⁸ Of these respondents, 16 expedited and 64 nonexpedited 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/document/support--table-size-standards.

⁹ 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/.