

**Supporting Statement for the  
Recordkeeping Requirements Associated with Changes in Foreign Investments  
(Made Pursuant to Regulation K)**

**Summary**

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the 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 and agreement corporations, and bank holding companies) are required to maintain adequate internal records that demonstrate compliance with the investment provisions made under Subpart A of Regulation K.<sup>1</sup> There is no formal reporting form for this recordkeeping requirement. The estimated annual burden for this recordkeeping requirement is 320 hours.

**Background and Justification**

Effective September 1, 2001, the Federal Reserve eliminated the collection of the FR 2064 reporting form, and replaced it with a recordkeeping requirement. This recordkeeping requirement is used to fulfill the Federal Reserve's supervisory responsibilities and monitor compliance with relevant sections of the Federal Reserve Act (FRA) and Regulation K. The recordkeeping requirement allows the Federal Reserve to monitor compliance with the general consent provisions of Regulation K.<sup>2</sup> 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 Federal Reserve has a continuing need to monitor compliance with the Federal Reserve Act and Sections 211.8 - 211.10 of the revised 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 Bank Holding Companies (FR Y-6; OMB No. 7100-0124). 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.

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<sup>1</sup> See Letter SR 02-2 published February 7, 2002.

<sup>2</sup> 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 or agreement corporation.

## **Description of Information Collection**

For each investment made under Subpart A of Regulation K, internal records should 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 should be made available to the Federal Reserve during the course of on-site examinations and pursuant to other supervisory requests. At this time, the Federal Reserve does not require that such information be maintained in a specific form.

## **Consultation Outside the Agency**

There has been no consultation outside the Federal Reserve System.

## **Sensitive Questions**

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

## **Legal Status**

The Board's Legal Division has determined that the Federal Reserve Board has the legal authority to require recordkeeping of this information set forth in Section 5(c) of the BHC Act (12 U.S.C. 1844(c)); Sections 7 and 13(a) of the International Banking Act of 1978 (12 U.S.C. 3106 and 3108(a)); Section 25 of the FRA (12 U.S.C. 601-604a); Section 25A of the FRA (12 U.S.C. 611-631); and Regulation K (12 CFR 211.8(c)). The recordkeeping requirements are mandatory. Since the Federal Reserve does not collect this information no issue of confidentiality under the Freedom of Information Act (FOIA) arises. FOIA will only be implicated if the Board's examiners retain a copy of the records in their examination or supervision of the institution, and would be exempt from disclosure pursuant to FOIA (5 U.S.C. 552(b)(4), (b)(6), and (b)(8)).

### **Estimate of Respondent Burden**

The Federal Reserve estimates the annual burden hours for the FR 2064 to be 320 hours. The number of respondents has remained relatively unchanged over the past several years. The Federal Reserve estimates that the effort associated with the recordkeeping requirements will take an average of two hours per quarter. The burden for this report represents less than 1 percent of total Federal Reserve System reporting burden.

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	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR 2064	40	4	2	320

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Based on an hourly rate of \$50, the total annual cost to the public is estimated to be \$16,000.

### **Estimate of Cost to the Federal Reserve System**

Since the Federal Reserve does not collect any information the related cost to the System is negligible.