

**Supporting Statement for the  
Federal Reserve Membership Application (FR 2083-2083C; OMB No. 7100-0046)  
and the Federal Reserve Bank Stock Applications  
(FR 2030, FR 2030a, FR 2056, FR 2086, FR 2086a, and FR 2087; OMB No. 7100-0042)**

## **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, with minor revisions, the following application forms:

- Application for Membership in the Federal Reserve System (FR 2083-2083C; OMB No. 7100-0046);
- Federal Reserve Bank Stock Applications (OMB No. 7100-0042):
  - Application for Adjustment in the Holding of Federal Reserve Bank Stock (FR 2056),
  - Member Banks Converting into or Merging into Nonmember Banks (FR 2086a),
  - De Novo National Banks (FR 2030),
  - Nonmember State Banks Converting into National Banks (FR 2030a),
  - Member Banks in Voluntary Liquidation (FR 2086), and
  - Insolvent Member Banks (FR 2087).

The application for membership (FR 2083) is a required one-time submission that collects the information necessary for the Federal Reserve to evaluate the statutory criteria, outlined in section 9 of the Federal Reserve Act, for admission of a new or existing state bank into membership in the Federal Reserve System. There have been no material changes in the underlying standards over the last three years. Most of the proposed revisions reflect the Federal Reserve's ongoing efforts to ensure consistency across various application forms and to clarify the instructions so that banks better understand the exact type of information needed for individual proposals. Certain revisions are consistent with those recently approved on other application forms<sup>1</sup> and reflect changes in the type of information that the Federal Reserve requires from filers for purposes of determining whether information submitted in a filing is relevant to the specific proposal and whether it may be provided to third parties under the Freedom of Information Act (FOIA). The current membership application form and instructions, marked to show the proposed revisions, are provided in Attachment 1.

The FR 2030, FR 2030a, FR 2056, FR 2086, FR 2086a, and FR 2087 stock application forms are required by the Federal Reserve Act and Regulation I. These application forms must be used by a new or existing member bank (including a national bank) to request the issuance, adjustment in, or cancellation of Federal Reserve Bank stock. The application forms must contain certain certifications by the Applicant as well as certain other financial and shareholder

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<sup>1</sup> The Bank Holding Company (BHC) application and notification forms (OMB No. 7100-0121): the Application for Prior Approval to Become a Bank Holding Company or for a Bank Holding Company to Acquire an Additional Bank or Bank Holding Company (FR Y-3), the Notification for Prior Approval to Become a Bank Holding Company or for a Bank Holding Company to Acquire an Additional Bank or Bank Holding Company (FR Y-3N), and the Notification for Prior Approval to Engage Directly or Indirectly in Certain Nonbanking Activities (FR Y-4).

data that is needed by a Reserve Bank to process the request. The proposed revisions to the stock application forms are limited and technical in nature. The Federal Reserve proposes to add additional signature lines to ensure that the application forms are properly authorized by all relevant parties. The Federal Reserve also proposes to clarify the language regarding the relevant capital components to be considered in calculating the correct amount of Reserve Bank stock to be issued or otherwise adjusted. The current stock application forms, marked to show the proposed revisions, are provided in Attachment 2.

The total annual reporting burden for the membership application form is estimated to be 260 hours and the total annual reporting burden for the stock application forms is estimated to be 926 hours. The proposed revisions are offsetting and technical in nature; therefore, the Federal Reserve believes that the total estimated annual burden of 1,186 hours would remain unchanged.

## **Background and Justification**

A state-chartered bank may become a member of the Federal Reserve System by filing an application and having the Board of Governors determine that the bank meets the statutory standards for membership. National banks automatically become members of the Federal Reserve System upon being chartered by the Office of the Comptroller of the Currency.

When acting upon a membership application filed by a state-chartered bank, the Federal Reserve is required under Section 9 of the Federal Reserve Act to consider the financial condition of the applying bank, the general character of its management, and whether or not the corporate powers to be exercised are consistent with the Federal Reserve Act. The other relevant criteria established by the statute (as well as by Regulation H) include the adequacy of capital, financial history and condition, future earnings prospects, and the convenience and needs of the community(ies) to be served. Information requested of a new bank (such as deposits and earnings projections, proposed premises, and the background of proposed bank officials) is not available from any source but the Applicant, and certain information regarding the operation of an existing bank is also not available from any other source. The information requested in the FR 2083 application is necessary for the Federal Reserve to be able to fulfill its responsibilities with respect to admitting a bank into membership. The Federal Reserve uses the information collected through the application form, along with other Federal Reserve System-generated data, to determine whether the Applicant bank meets the standards for approval.

When a bank receives approval for membership in the Federal Reserve System, the bank agrees to certain conditions of membership that are contained in the approval letter. At the same time, the bank is advised that, under Section 5 of the Federal Reserve Act (as well as Regulation I), the bank must subscribe to the capital stock of the Federal Reserve Bank in whose district the head office of the member bank is located. The Federal Reserve Bank stock application forms are necessary to obtain current information on the member bank's capital and surplus and to document the bank's request for an increase or decrease in its holdings of Federal Reserve Bank stock. This information is also used to verify that a request has been duly authorized and to prevent unauthorized requests for issuance or cancellation of Federal Reserve Bank stock. The application forms are used exclusively by the applying banks and the Federal

Reserve Banks. The information collected on these application forms is not available from any other source.

## **Description of Information Collection**

### *Federal Reserve Membership Application*

The four individual application forms in the FR 2083 series (membership application and relevant attachments) are all one-time submissions that are used by organizing (de novo) or existing state-chartered banks to apply for membership in the Federal Reserve System:

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|----------|--|
| FR 2083  | Cover sheet, with general information and instructions detailing the information to be submitted according to the type of applicant bank.                              |
| FR 2083A | Application form for the purchase of Federal Reserve Bank stock by state banks (except mutual savings banks) and by national banks converting into state member banks. |
| FR 2083B | Application form for the purchase of Federal Reserve Bank stock by mutual savings banks.   |
| FR 2083C | Certificate of Organizers or Directors certifying that the information being submitted is true and complete, and the proposed capital is not impaired.                 |

### *Federal Reserve Bank Stock Applications*

Any national bank wanting to purchase stock in the Federal Reserve System, any member bank wanting to increase or decrease its Federal Reserve Bank stock holdings, or any bank wanting to cancel its stock holdings must file an application with the appropriate Federal Reserve Bank. The application forms for the initial subscription of Federal Reserve Bank stock filed by organizing national banks and nonmember state banks converting to national banks (FR 2030 and 2030a, respectively) and the application forms for the cancellation of Federal Reserve Bank stock filed by liquidating member banks, member banks merging or consolidating with nonmember banks, and insolvent member banks (FR 2086, 2086a, and 2087, respectively) require one or more of the following:

- a resolution by the applying bank's board of directors authorizing the transaction,
- an indication of the capital and surplus of the bank as of the date of application,
- a certification (by official signatures) of the resolution, and
- an indication of the number of shares and dollar amount of the Federal Reserve Bank stock to be purchased or canceled.

State-chartered banks and mutual savings banks do not use the FR 2030 or FR 2030a applications to purchase stock because the required information is collected on the FR 2083 application forms and received as part of the complete membership application.

The application form for an interim adjustment in a member bank's holdings of Federal Reserve Bank stock (FR 2056) requires:

- an indication of the capital and surplus of the bank as of the date of application and
- an indication of the number of shares held and the number of shares to be acquired or canceled.

A completed application form must be submitted for each required adjustment. Any member bank must use the FR 2056 to correct a discrepancy between the amount of Federal Reserve Bank stock required to be held and the amount actually held by the member bank. The latter is determined by the Reserve Bank through its monitoring of the bank's capital accounts reported quarterly on the Consolidated Reports of Condition and Income (Call Report) (FFIEC 031 and 041; OMB No. 7100-0036). The Federal Reserve Bank stock applications are distributed by the Federal Reserve Banks and the information collected enables them to account for required subscription payments to the System and for dividends paid by the System on any outstanding stock.

### **Proposed Revisions**

#### *Federal Reserve Membership Application*

The FR 2083 application form still relies, to the extent possible, on information that an Applicant must develop through completion of the Interagency Charter and Federal Deposit Insurance Application (ICDIA) form. The proposed revisions to the current FR 2083 reflect certain procedural changes that occurred over the last three years and other clarifications regarding the specific type of information required for individual proposals. As described below, one section would be added to the General Information and Instructions section while two sections would be deleted.

The current cover page would be revised in the same manner as other recently approved application forms. The revisions would be as follows:

- the reference to draft and final applications would be deleted as the Federal Reserve no longer accepts complete draft applications for review,
- four check boxes would be added to facilitate treatment of the submitted filing under the FOIA (Insert A),
- the personal information requested of the contact person(s) would be revised to require an available e-mail address, and
- several other technical edits would be made to reflect current application and reporting form references and practices.

The Federal Reserve proposes to replace the Confidentiality section in its entirety. The new section would state that an Applicant may rely upon more than two types of FOIA exemptions to prevent applications information from being disclosed to the public and more

clearly explains how information related to an individual associated with a proposal should be presented to the Federal Reserve. As a complement to those changes, a new filing certification section would be added that requires an Applicant to confirm the nature of the information being submitted in the application and recognize how the submitted information may be treated under the FOIA. The Board's Legal Division believes that receiving the certification at the time of submission would facilitate the disclosure of relevant information to the public and reduce the processing delays that result from uncertainties about what information is eligible for disclosure under the FOIA. Two sections (Related Applications and Preliminary Charter Approval) would be deleted as the guidance in those sections has been incorporated into other sections of the instructions.<sup>2</sup>

Section I (De Novo Bank) of the FR 2083 application form would be revised to state that the Federal Reserve need not receive a copy of the electronic version of the ICFDA that is prepared for and submitted to other banking agencies. This proposed revision is made in recognition of the fact that the Federal Reserve expects in 2009 to be able to accept all applications electronically. Such membership applications would include the ICFDA materials.

The Federal Reserve proposes to clarify certain information requests in Section II (Currently Operating Bank). The clarifications would assist an Applicant in better explaining the contemplated financial and managerial changes and structure that may result from the membership proposal. These clarifications include the following: in current question 7, the request for certain authority(ies) would help identify the need for other related applications earlier in the applications review process and therefore facilitate more timely review and action on the proposed transaction. The Federal Reserve proposes one minor clarification to Section III (Non-Operating Bank) to emphasize that an Applicant needs to disclose both financial and managerial changes resulting from a membership proposal.

The FR 2083A would be revised to reflect the possible negative adjustment to a bank's total face amount of capital and surplus data that might be necessary to calculate the appropriate level of Federal Reserve Bank stock to be purchased. Footnote 1 would be expanded to explain the possible adjustment. Several technical edits would be made to the FR 2083B and the FR 2083C.<sup>3</sup>

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<sup>2</sup>In this regard, an Applicant no longer has to wait for preliminary charter approval before filing a membership application, but the timing of other related applications is less certain. The instructions now encourage an Applicant to contact the appropriate Reserve Bank to determine when all such related applications should be filed.

<sup>3</sup>The title of Cashier has been added to two signature lines in the FR 2083B for consistency with the other stock application forms and the reference to Regulation H in the FR 2083C has been changed to Regulation I for accuracy purposes.

## *Federal Reserve Bank Stock Applications*

The Federal Reserve proposes no revisions to the FR 2086 and 2087. The revisions proposed to the remaining four application forms (the FR 2030, 2030a, 2056, and 2086a) are intended to facilitate the processing of each application form by the appropriate Reserve Bank and the calculation of the appropriate Federal Reserve Bank stock to be purchased or adjusted. Additional signature lines would be added to all four application forms to ensure that they are signed by at least one individual listed with the appropriate Reserve Bank (as having the authority to submit accounting- and other reporting-related materials on behalf of the bank) in the event that the senior officials required to authorize the purchase or adjustment, under the Federal Reserve Act, are not listed.

On the FR 2056, the Federal Reserve proposes to clarify the appropriate components of capital and surplus used in the Federal Reserve Bank stock calculation and to more clearly explain the possible negative capital adjustment within those calculations. In addition, the references in the accompanying worksheet would fully correspond to the Call Report data items filed by member banks. The references to Sinking Fund preferred stocks would be deleted as these instruments are generally no longer issued and may no longer qualify as regulatory capital.

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

Submission of these applications is event generated. The FR 2083 is filed by a new or existing bank when it wishes to become a member of the Federal Reserve System. Membership applications are usually acted upon within sixty days after filing. Expedited membership applications are usually acted upon within fifteen days after filing. The FR 2086, 2086a, and 2087 are usually submitted thirty calendar days after the event triggering the need for cancellation of a bank's Federal Reserve Bank stock. The FR 2056 must be filed promptly after the first Call Report that reflects the increase or decrease or as necessitated by a merger or other consolidation. The FR 2030 must be submitted by a national bank while in the process of organizing and the FR 2030a must be submitted by a state nonmember bank while in the process of converting to a national bank. These applications are usually acted upon under delegated authority by the Federal Reserve Banks within two to four days after filing. The information in the applications is not published.

### **Legal Status**

The Board's Legal Division has determined that the applications are authorized as follows:

- FR 2030 and FR 2030a: Section 2 of the Federal Reserve Act [12 U.S.C. §§ 222 and 282] and Sections 9 and 11(a) of the Federal Reserve Act [12 U.S.C. §§ 248(a) and 321];
- FR 2056: Section 5 of the Federal Reserve Act [12 U.S.C. § 287] and Sections 11(a) and (i) of the Federal Reserve Act [12 U.S.C. § 248(a) and (i)];
- FR 2083: Section 9 of the Federal Reserve Act [12 U.S.C. §§ 321, 322, and 333];

- FR 2086: Section 5 of the Federal Reserve Act [12 U.S.C. § 287] and Sections 11(a) and (i) of the Federal Reserve Act [12 U.S.C. § 248(a) and (i)];
- FR 2086a: Section 9 of the Federal Reserve Act [12 U.S.C. § 321], Section 5 of the Federal Reserve Act [12 U.S.C. § 287], and Section 11(a) of the Federal Reserve Act [12 U.S.C. § 248(a)]; and
- FR 2087: Section 6 of the Federal Reserve Act [12 U.S.C. § 288] and Sections 11(a) and (i) of the Federal Reserve Act [12 U.S.C. § 248 (a) and (i)].

Most of this information is not considered confidential. Applicants may, however, request that parts of their membership applications be kept confidential, but in such cases the Applicant must justify its request by demonstrating how an exemption under the FOIA is satisfied. The confidentiality status of the information submitted will be judged on a case-by-case basis.

### Estimate of Respondent Burden

As shown in the following table, the current annual reporting burden for the membership application is estimated to be 260 hours. The current annual reporting burden for the bank stock applications is estimated to be 926 hours. The proposed revisions are offsetting and technical in nature; therefore, the Federal Reserve believes that the total estimated annual burden of 1,186 hours would remain unchanged. The burden for the membership and stock applications represents less than 1 percent of the total Federal Reserve System reporting burden.

	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<i>Membership Applications:</i>				
FR 2083, A, B, and C	65	1	4.0	260
<i>Stock Applications:</i>				
FR 2030	30	1	0.5	15
FR 2030a	52	1	0.5	26
FR 2056	1,728	1	0.5	864
FR 2086	2	1	0.5	1
FR 2086a	36	1	0.5	18
FR 2087	4	1	0.5	<u>2</u>
<i>Total Stock Applications</i>				926
<i>Total</i>				1,186

The total annual cost to the public for the Federal Reserve membership and stock applications is estimated to be \$73,117.<sup>4</sup>

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

The applications are not automated and there are no data processing costs associated with them. Costs to print and mail the applications are minimal.

### **Consultation Outside the Agency**

On June 3, 2008, the Federal Reserve published a notice in the *Federal Register* (73 FR 31684) requesting public comment for sixty days on the extension, with revision, of the applications and notifications. The comment period for this notice expires on August 4, 2008.

### **Sensitive Questions**

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines.

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<sup>4</sup>Total cost to the public was estimated using the following formula. Percent of staff time, multiplied by annual burden hours, multiplied by hourly rate: 30% Clerical @ \$25, 45% Managerial or Technical @ \$55, 15% Senior Management @ \$100, and 10% Legal Counsel @ \$144. Hourly rate estimates for each occupational group are averages using data from the Bureau of Labor and Statistics, *Occupational Employment and Wages*, news release.