

**Supporting Statement for  
Report of Changes in Organizational Structure; Supplement to the Report of Changes in  
Organizational Structure; Annual Report of Bank Holding Companies; and Annual  
Report of Foreign Banking Organizations  
(FR Y-10, FR Y-10E, FR Y-6, and FR Y-7; OMB No. 7100-0297)**

## 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 revision, the following mandatory information collections (OMB No. 7100-0297):

- Report of Changes in Organizational Structure (FR Y-10),
- Annual Report of Bank Holding Companies (FR Y-6), and
- Annual Report of Foreign Banking Organizations (FR Y-7).

This family of reports also contains the following mandatory report, which is not being revised:

- Supplement to the Report of Changes in Organizational Structure (FR Y-10E).

The FR Y-10 is an event-generated information collection submitted by foreign banking organizations (FBOs); top-tier bank holding companies (BHCs); state member banks unaffiliated with a BHC; Edge and agreement corporations that are not controlled by a member bank, a domestic BHC, or a FBO; and nationally chartered banks that are not controlled by a BHC (with regard to their foreign investments only), to capture changes in their regulated investments and activities. The Federal Reserve uses the data to monitor structure information on subsidiaries and regulated investments of these entities engaged in banking and nonbanking activities. The FR Y-10E is a free-form supplement that may be used to collect additional structural information deemed to be critical and needed in an expedited manner.

The FR Y-6 is an annual information collection submitted by top-tier BHCs and nonqualifying FBOs. It collects financial data, an organization chart, verification of domestic branch data, and information about shareholders. The Federal Reserve uses the data to monitor holding company operations and determine holding company compliance with the provisions of the Bank Holding Company Act (BHC Act) and Regulation Y (12 CFR 225).

The FR Y-7 is an annual information collection submitted by qualifying FBOs to update their financial and organizational information with the Federal Reserve. The Federal Reserve uses information to assess an FBO's ability to be a continuing source of strength to its U.S. operations and to determine compliance with U.S. laws and regulations.

The Federal Reserve proposes to revise the FR Y-10 by adding an item to collect the tax identification number (Tax ID) to the Banking and Nonbanking Schedules. The Federal Reserve also proposes to add a certification requirement to the FR Y-6 and FR Y-7 reporting forms related to information regarding individuals contained in the submission and make comparable changes to the instructions. The proposed changes would be effective December 31, 2008.

The estimated total current annual reporting burden for the organizational structure reporting forms is 45,961 hours and is estimated to increase by 10,104 hours with these proposed revisions. Attached are copies of the reporting forms and instructions, marked to show the

proposed revisions.

## **Background and Justification**

### **FR Y-10**

In 1985, the Annual Report of Domestic Bank Holding Companies (FR Y-6) was restructured to collect only financial information, and the Changes in Investments and Activities of Top-Tier Financial Holding Companies, Bank Holding Companies, and State Member Banks (FR Y-6A; OMB No. 7100-0124) was created to capture structure information for new BHCs or BHCs that had undergone a change in their structure. In April 2000, the Federal Reserve revised the FR Y-6A to collect information on changes in investments and activities related to the Gramm-Leach-Bliley Act of 1999 (GLB Act) from financial holding companies (FHCs) and unaffiliated state member banks. In September 2001, the Federal Reserve replaced the FR Y-6A with the FR Y-10 to reduce the burden and costs associated with submitting this information. This revision made the submission of structure information by domestic and foreign banking organizations more similar, increased the thresholds for investments to be included, reduced the types of investments to be included, streamlined the method for indicating the percentage ownership of nonbanking investments, and simplified the submission of legal authority and activity codes. Finally, the submission of certain information on the structure of foreign investments was moved from the Report of Changes in Foreign Investments (Made Pursuant to Regulation K) (FR 2064; OMB No. 7100-0109) to the FR Y-10, and the FR 2064 was changed to a recordkeeping requirement.

In 2004, the Federal Reserve revised the FR Y-10 reporting forms and instructions in an effort to reduce respondent burden. The revisions to the reporting forms consisted primarily of reorganizing data items into separate schedules for banking and nonbanking investments. In addition, the Federal Reserve replaced FRS activity codes with the North American Industrial Classification System (NAICS) codes. In 2007, the Federal Reserve combined the FR Y-10 with the Report of Changes in FBO Organizational Structure (FR Y-10F), the Supplement to the Report of Changes in Organizational Structure (FR Y-10S), and the Notification of Foreign Branch Status (FR 2058) to streamline the reporting of organizational structure data. In April 2008, the Federal Reserve implemented a new schedule on the FR Y-10 to collect data on domestic branches of depository institutions and Edge and agreement corporations.

The Federal Reserve System uses this information to monitor the activities of reportable companies to ensure that the activities are conducted in a safe and sound manner. The FR Y-10 data provide the Federal Reserve with information integral to monitoring compliance with the BHC Act, the GLB Act, the Federal Reserve Act (FRA), Regulation Y, and Regulation K. Additionally, the FR Y-10 is the only source of information collected by a banking agency that captures detailed information on the structure of the banking organizations described in the Respondent Panel section below.

## **FR Y-10E**

The Federal Reserve implemented the FR Y-10E, effective June 30, 2007, to create a free-form supplement to the FR Y-10 so that, should there be an immediate need for certain critical organizational structural information, the necessary data could be collected on this supplement at the earliest practicable date. This supplement may only be used to meet new legislative requirements, answer Congressional inquiries, or respond to critical market events that could not be addressed in a timely manner if the Federal Reserve were required to seek approval through the reports clearance process.

## **FR Y-6**

Section 5(c) of the BHC Act authorizes the Board to require BHCs to keep the Board informed, in part, of their financial condition, risk management systems, and transactions with bank subsidiaries. Data from the FR Y-6 enable the Federal Reserve to monitor holding company operations, ensure that operations are conducted in a safe and sound manner, and determine holding company compliance with the provisions of the BHC Act and Regulation Y. The data collected about shareholders, directors, officers and others provide valuable information, which is used for supervisory purposes in various ways. For example, data on outside business interests of directors and officers aid in identifying chain banking organizations by indicating when an individual owns 25 percent or more of each of two or more banking organizations. In addition, information on the principal owners and directors is of supervisory importance since these individuals have a significant effect on the policies and condition of banking organizations. Furthermore, information on the outside business interests of insiders can be useful in uncovering situations that involve a conflict of interest or preferential treatment in the granting of credit. Finally, information on ownership helps the Federal Reserve monitor compliance with the Change in Bank Control Act. In December 2007, the Federal Reserve added a requirement for institutions to verify a list of domestic branches for each depository institution and Edge and agreement corporation in the organization.

A number of BHCs are not inspected on an annual basis. Therefore, annual submission of this information in the FR Y-6 is essential for supervisory purposes because it provides information between BHC inspections. The timely collection of these data in a supervisory report enhances the Federal Reserve's efforts to monitor BHC activities.

The FR Y-6 data are available to other federal banking agencies for use in their supervision of national and state nonmember banks. In addition, the FR Y-6 serves as a source of information on BHCs for the public and for responses to information requests from Congress.

## **FR Y-7**

The Federal Reserve implemented the FR Y-7 in January 1972 and required only foreign banks that controlled U.S. subsidiary banks to file. With the enactment of the International Banking Act of 1978 (IBA), the Congress established a framework for federal regulation of foreign banks operating in U.S. financial markets. Section 7 of the IBA authorizes the Federal Reserve to examine U.S. branches, agencies, and subsidiary commercial lending companies of foreign banks and to assess the condition of the multi-state banking operations of foreign banks.

Section 8(a) of the IBA states that foreign banks that engage in banking in the United States through a U.S. branch, agency or subsidiary commercial lending company and companies that control such foreign banks are subject to the provisions of the BHC Act, as amended.

Given these statutory responsibilities, the Federal Reserve issued two policy statements<sup>1</sup> on the supervision of FBOs that control a U.S. subsidiary bank. They stated that the Federal Reserve needed full financial information on foreign parent organizations to assess the foreign parent's ability to continue to serve as a source of strength for their U.S. operations. In 1980, as part of its implementation of those policy statements, the Federal Reserve issued a revised FR Y-7 reporting form setting forth annual reporting requirements for FBOs engaged in banking in the United States.

The Federal Reserve System uses information collected on this reporting form to assess a FBO's ability to be a continuing source of strength to its U.S. operations, to determine eligibility as a Qualifying Foreign Banking Organization, and to determine compliance with U.S. laws and regulations. This information is not available from other sources.

### **Description of Information Collection**

The FR Y-10 comprises seven schedules for collecting data on organizational structural changes for the reportable companies listed in the respondent panel section. The Banking Schedule collects information on a banking organization and its directly or indirectly held interests in a BHC, bank organized under U.S. law, or FBO. The Nonbanking Schedule collects information about a banking organization's directly or indirectly held interests in a nonbanking company. The Merger Schedule collects information on the survivors and nonsurvivors of mergers involving any reportable company. The 4(k) Schedule collects post-transaction notices for activities, formations and acquisitions of companies, and large merchant banking and insurance company investments authorized under Section 4(k) of the BHC Act. The Branch, Agency, and Representative Office of FBOs Schedule collects structure information on U.S. branches, agencies, representative offices, and non-U.S. managed branches of FBOs. The Foreign Branches of U.S. Banking Organizations Schedule collects structure information on foreign branches of U.S. banking organizations. The Domestic Branch Schedule collects structure information on domestic branches and offices of depository institutions held directly or indirectly by a top-tier BHC and domestic branches of state member banks or banking Edge and agreement corporations that are not affiliated with a BHC.

The FR Y-10E supplement collects additional structural information deemed to be critical and needed in an expedited manner. This supplement may only be used to meet new legislative requirements, answer Congressional inquiries, or respond to critical market events that could not be addressed in a timely manner if the Federal Reserve were required to seek approval through the reports clearance process. The Federal Reserve will use this supplement infrequently and only when there is not sufficient time to take proposed changes through the full clearance process. Subsequent to the implementation of this supplement, if the data were needed on a permanent basis, the Federal Reserve would complete the report clearance process, including a request for public comment.

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<sup>1</sup> These policy statements were dated February 23, 1979, and July 20, 1979.

The annual FR Y-6 is submitted by top-tier BHCs and nonqualifying FBOs and contains the requirement that BHCs not registered with the SEC submit, if one is created, their annual report to shareholders. The FR Y-6 also requires the submission of an organizational chart, verification of domestic branch data, and collection of information on the identity, percentage ownership, and business interests of principal shareholders, directors, and executive officers.

The annual FR Y-7 is submitted by qualifying FBOs that are directly or indirectly engaged in the business of banking in the United States as of the end of the respondent's fiscal year. The FR Y-7 collects financial, organizational, and managerial information.

### **Revisions Effective December 31, 2008**

#### *Tax ID Number (FR Y-10)*

The Federal Reserve proposes to collect the Tax ID for all reportable banking and nonbanking entities located in the United States. The Federal Reserve would use the Tax ID to identify lenders for the Shared National Credit modernization project. Also, the Federal Reserve would use the Tax ID to link to entities' data stored on the Financial Crimes Enforcement Network's (FinCEN's)<sup>2</sup> BSA Direct System (such as Suspicious Activity Reports<sup>3</sup> and Currency Transaction Reports<sup>4</sup>) to monitor Bank Secrecy Act (BSA) and anti-money laundering compliance. Finally, the Federal Reserve would use the Tax ID to match market and regulatory data for market discipline research.

Obtaining Tax ID data from a public source is ineffective since the quality of these data is low. There would be a one-time information collection to populate the Tax ID data, as of December 31, 2008. Respondents would submit this information no later than March 31, 2009, initially and then 30 days after a change going forward. The Federal Reserve would provide a means for institutions to provide their initial data in a format easier for respondents to submit than individual FR Y-10 reports.

#### *Information Regarding Individuals (FR Y-6 and FR Y-7)*

The FR Y-6 and FR Y-7 reporting forms collect details on individual shareholders and insiders of reporters. Reporters occasionally submit more information than is required (for example, personal home addresses, social security numbers, and extraneous commercial and financial information), and some of the details provided can be highly sensitive. Reporters rarely request confidential treatment for this information, even where it appears that the information could and should be withheld from disclosure under the Freedom of Information Act (FOIA), 5 U.S.C. § 552.

Reporters ultimately should take appropriate measures to safeguard the confidentiality of information they provide to the Federal Reserve, including details regarding individuals. In this context, it is incumbent upon reporters to request confidential treatment for information that may be subject to withholding under one or more of the FOIA exemptions from disclosure, in

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<sup>2</sup> FinCEN is a part of the U.S. Treasury Department.

<sup>3</sup> Federal Reserve reporting form FR 2230; OMB No. 7100-0212.

<sup>4</sup> FinCEN reporting form 104; OMB No. 1506-0004.

accordance with the Board's Rules Regarding Availability of Information (the Board's Rules), 12 CFR Part 261. The Federal Reserve expects reporters to ensure that they have the legal authority to provide information regarding individuals to the Federal Reserve and, on behalf of each individual, to consent or object to public release of the information. The method of obtaining an individual's consent and the adequacy of an individual's consent are legal issues to be resolved by the reporter. The Federal Reserve presumes legally adequate consent exists unless the reporter expressly represents otherwise.

The Federal Reserve seeks to avoid releases of sensitive personally identifying information regarding individuals. The extraneous information provided by some reporters at times includes these types of information. Copies of the FR Y-6 and FR Y-7 filings are frequently requested by members of the public.

The Federal Reserve proposes to modify the FR Y-6 and FR Y-7 reporting forms to highlight for reporters issues surrounding the submission of information on individuals. Accordingly, the Federal Reserve proposes to add language to this effect to the reporting instructions and cover page of the FR Y-6 and FR Y-7. Under these modifications, the Federal Reserve will assume, in the absence of a request for confidential treatment submitted in accordance with the Board's Rules, that the reporter and individual consent to public release of all details in the report concerning that individual.

### **Respondent Panel**

The current FR Y-10 and FR Y-10E panel comprises FBOs; top-tier BHCs; state member banks that are not controlled by a BHC; Edge and agreement corporations that are not controlled by a member bank, a domestic BHC, or a FBO; and nationally chartered banks that are not controlled by a BHC (with regard to their foreign investments only). The FR Y-6 panel comprises top-tier BHCs and nonqualifying FBOs. The FR Y-7 panel comprises all qualifying FBOs that engage in banking in the United States, either directly or indirectly.

### **Time Schedule for Information Collection and Publication**

The current FR Y-10 is event-generated, and the data are submitted within 30 calendar days of a reportable transaction or event. Individual respondent data are available to the public upon request through the appropriate Reserve Bank. Under certain circumstances, however, respondents may request confidential treatment. Limited data from the FR Y-10 are published on the NIC website. The Tax ID data would be collected from all respondents initially as of December 31, 2008, and would be due March 31, 2009. Changes to the data that occur between January 1 and March 31, 2009, would be reported by April 30, 2009. Changes to the data that occur after March 31, 2009, would be reported within 30 days. The FR Y-10E is event-generated and the data are submitted on an ad-hoc basis as needed.

The FR Y-6 is submitted annually, no later than 90 calendar days after the end of the BHC's or nonqualifying FBO's fiscal year. Individual respondent data are available to the public upon request through the appropriate Reserve Bank. Under certain circumstances, however, respondents may request confidential treatment. Data from the FR Y-6 are not published.

All qualifying FBOs file the FR Y-7 annually as of the end of the FBO's fiscal year; the

data are due not later than four months after the report date. Data from these reporting forms are not published, but nonconfidential data would be available to the public upon request.

## **Legal Status**

The Board's Legal Division has determined that the following statutes authorize the Federal Reserve to require the collections of information:

**FR Y-10 and FR Y-10E:** Sections 4(k) and 5(c)(1)(A) of the BHC Act (12 U.S.C. 1843(k), 1844(c)(1)(A)); Sections 11(a)(1), 25(7), and 25A of the FRA (12 U.S.C. 248(a)(1), 321, 601, 602, 611a, 615, and 625); Section 211.13(c) of Regulation K (12 CFR 211.13(c)); Sections 225.5(b) and 225.87 of Regulation Y (12 CFR 225.5(b) and 225.87); and Section 8(a) of the IBA (12 U.S.C. 3106(a)).

**FR Y-6:** Section 5(c)(1)(A) of the BHC Act (12 U.S.C. 1844(c)(1)(A)); Sections 8(a) and 13(a) of the IBA (12 U.S.C. 3106(a) and 3108(a)); Sections 11(a)(1), 25, and 25A of the FRA (12 U.S.C. 248(a)(1), 602, and 611a); Section 211.13(c) of Regulation K (12 CFR 211.13(c)); and Section 225.5(b) of Regulation Y (12 CFR 225.5(b)).

**FR Y-7:** Sections 8(a) and 13(a) of the IBA (12 U.S.C. 3106(a) and 3108(a)).

The Board's Legal Division also determined that the data collected in the FR Y-10, FR Y-10E, FR Y-6, and FR Y-7 are not considered confidential. However, a company may request confidential treatment pursuant to sections (b)(4) and (b)(6) of the FOIA (5 U.S.C. 522(b)(4) and (b)(6)). Section (b)(4) provides exemption for trade secrets and commercial or financial information obtained from a person as privileged or confidential. Section (b)(6) provides exemption for personnel and medical files and similar files the disclosure of which will constitute a clearly unwarranted invasion of personal privacy.

## **Estimate of Respondent Burden**

As shown in the following table, the current estimated annual reporting burden for the organizational structure reporting forms is 45,961 hours and is expected to increase by 10,104 hours as a result of the proposed changes. The increase in burden is associated with adding the Tax ID to the FR Y-10 reporting form. The Federal Reserve estimates this would take an hour on average for the initial collection of Tax ID data and an additional 15 minutes per response on an ongoing basis. The Federal Reserve does not believe that the changes to the FR Y-6 and FR Y-7 are significant enough to warrant a change in burden for those reporting forms. The estimated proposed annual burden for all these reporting forms is 1 percent of the total Federal Reserve System burden.

	<i>Number of respondents</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<i>Current</i>				
FR Y-10	2,768	6	1	16,608
FR Y-10E	2,768	1	.50	1,384
FR Y-6	5,156	1	5.25	27,069
FR Y-7	257	1	3.50	<u>900</u>
<i>Total</i>				45,961
<i>Proposed</i>				
FR Y-10 initial	5,952	1	1	5,952
FR Y-10 ongoing	2,768	6	1.25	20,760
FR Y-10E	2,768	1	.50	1,384
FR Y-6	5,156	1	5.25	27,069
FR Y-7	257	1	3.50	<u>900</u>
<i>Total change</i>				56,065
				10,104

The total estimated annual reporting cost to the public for these collections of information would increase from \$3,109,262 to \$3,792,797.<sup>5</sup>

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

Estimates of cost to the Federal Reserve System will be obtained.

### **Consultation Outside the Agency**

There has been no consultation outside the Federal Reserve System.

### **Sensitive Questions**

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

<sup>5</sup> Total cost to the public was estimated using the following formula. Percent of staff time, multiplied by current and proposed annual burden hours, multiplied by hourly rate: 25% Clerical @ \$25; 40% Managerial or Technical @ \$55; 25% Senior Management @ \$100; and 10% Legal Counsel @ \$144.