



Banking Applications Activity Semiannual Report July 1–December 31, 2022

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This report provides information regarding the applications filed by banking organizations and reviewed by the Federal Reserve as of the most recent reporting period ending on June 30 and December 31 of each calendar year.

The Federal Reserve, in its role as a primary federal regulator, reviews applications submitted by bank holding companies (BHCs), state member banks (SMBs), savings and loan holding companies (SLHCs), foreign banking organizations, and other entities and individuals for approval to undertake various transactions, including mergers and acquisitions (M&A), and to engage in new activities.

The Federal Reserve reviews and acts on proposals filed under the Bank Holding Company Act (BHCA); the Bank Merger Act (BMA); the Change in Bank Control Act (CIBCA); the Federal Reserve Act (FRA); section 914 of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA); section 10 of the Home Owners' Loan Act (HOLA); the International Banking Act; and other provisions of law.¹

Overview of Activity

The Federal Reserve reviewed 438 proposals in the second half of 2022, of which 407 were approved, 22 were withdrawn, 2 were mooted, and 7 were returned as informationally incomplete (table 1).²

Total dispositions for 2022 were 7.0 percent fewer in number compared with 2021. However, the relative composition of proposals was consistent with prior periods, with a majority being branch applications, M&A proposals, and CIBCA notices.

¹ For the purpose of this report, the term *proposal* is defined as one filing, which may have been submitted pursuant to multiple statutes. For example, an applicant BHC with a subsidiary SMB could file to acquire another BHC, merge the target's subsidiary bank with its own SMB, and establish branches at the location of the target bank's branches. Therefore, this one proposal would include filings under the BHCA, the BMA, and the FRA. Further information on banking applications and regulation is available on the Federal Reserve Board's website at <https://www.federalreserve.gov/supervisionreg.htm>.

² A filing is mooted if developments have led to a situation where the filing is no longer required or needed. A filing is returned when the Federal Reserve determines that the filing documentation remains deficient and cannot be processed as presented.

Table 1. Dispositions and processing times of approved proposals, 2019–22 and 2021:H2 and 2022:H2						
All proposals	2019	2020	2021	2022	2021:H2	2022:H2
Dispositions						
Approved	932	774	952	868	488	407
Withdrawn	49	41	32	46	11	22
Denied	0	0	0	1	0	0
Mooted	24	6	9	13	4	2
Returned	4	3	16	10	10	7
Total	1,009	824	1,009	938	513	438
<i>Percent withdrawn of total</i>	4.9%	5.0%	3.2%	4.9%	2.1%	5.0%
Processing time (days)						
Average	42	42	45	49	45	48
Median	35	30	37	37	38	38

Table 1 illustrates that the average number of days to approve a proposal was 48 days in the second half of 2022, compared with 45 days in the second half of 2021. This increase is primarily related to extended processing times associated with two relatively large, complex M&A proposals (one of which involved a public meeting); an increase in the number of applications requiring action by the Board, including those that are subject to adverse comments or that breach the delegation criteria for competition and/or financial stability; and numerous proposals involving novel business plans and policy considerations. However, the median processing time was the same for the second half of 2022 and the second half of 2021 at 38 days.

Applicants may choose to withdraw a proposal at any time prior to final disposition and may do so for any reason. They may choose to withdraw a proposal after Federal Reserve staff informs the applicant that staff would not be in a position to make an approval recommendation because, in staff's view, the proposal is inconsistent with one or more of the statutory factors.³ In particular, there may be deficiencies regarding financial or managerial considerations, including future prospects, or the Community Reinvestment Act (CRA) or consumer compliance record of the applicant or target organizations. Other reasons proposals are withdrawn include a business decision to no longer proceed, a determination that another filing is more appropriate, or an inability to provide required information. Applicants are not required to and generally do not identify their reasons for withdrawing proposals.

³ Supervision and Regulation letter, "Enhancing Transparency in the Federal Reserve's Applications Process," provides the general public with a better understanding of the Federal Reserve's general approach to proposals that may not satisfy statutory requirements for approval or otherwise raise supervisory or regulatory concerns. This guidance applies to all financial institutions supervised by the Federal Reserve, including those with \$10 billion or less in consolidated assets, and is available on the Board's website at [Board of Governors of the Federal Reserve, "Enhancing Transparency in the Federal Reserve's Applications Process," SR letter 14-2/CA letter 14-1 \(February 24, 2014\)](#).

In the second half of 2022, applicants withdrew 22 proposals, representing 5.0 percent of the total dispositions. Of these, 5 proposals raised significant issues relevant to statutory factors, such as financial, managerial, and competitive considerations. The remaining 17 proposals were withdrawn for reasons unrelated to applicable statutory factors. Of these, over half were withdrawn because the applicant either reconsidered the activity, did not need to file, or the application needed to be re-submitted under a different statutory or regulatory provision.

Mergers and Acquisitions

Total approved M&A proposals declined from 102 for the second half of 2021 to 64 for the second half of 2022 (table 2).⁴ Average processing time increased from 63 to 96 days when comparing the same timeframes. This increase in average processing times primarily resulted from the Board's concurrent consideration of several relatively large and complex M&A proposals requiring Board action. Approved M&A proposals accounted for 15.7 percent of total approved proposals in the second half of 2022, which is slightly lower than percentages in prior years. M&A proposals generally are more complex than other proposals because they typically require review of several organizations under multiple statutes. Examples of circumstances that may contribute to delays in processing include consideration of significant or novel policy or supervisory issues that affect relevant statutory factors, incomplete or untimely responses to requests for additional information from the applicants, consultations with other regulatory agencies, completion of background checks on principal shareholders or policy makers, holding public meetings, and consideration of adverse public comments. As table 2 shows, the average and median number of days to approve an M&A proposal in the second half of 2022 were 96 and 48 days, respectively. In comparison, the average and median number of days to approve all proposals in the same period were 48 and 38 days, respectively (see table 1).

Table 2. Merger and acquisition proposals, dispositions and processing times of approved proposals, 2019–22 and 2021:H2 and 2022:H2

Mergers and acquisitions	2019	2020	2021	2022	2021:H2	2022:H2
Dispositions						
Approved	190	144	184	155	102	64
Withdrawn	16	14	6	11	2	7
<i>Percent M&A of total approved proposals</i>	20.4%	18.6%	19.3%	17.9%	20.9%	15.7%
Processing time (days)						
Average	60	69	65	87	63	96
Median	43	45	45	48	46	48

⁴ M&A proposals include proposals filed by BHCs, SLHCs, or SMBs that seek approval to acquire an ownership interest in or to merge with another banking organization, as well as BHC and SLHC formations.

In reviewing M&A proposals, the Federal Reserve is required to consider various factors as part of the approval process, including

- the applicant’s current and pro forma financial condition and future prospects;
- the applicant’s managerial resources (including management’s record of compliance with applicable laws and regulations, such as those related to consumer protection and anti-money-laundering);
- the convenience and needs of the communities to be served (including the involved institutions’ record of performance under the CRA, their overall compliance records, results of recent fair lending examinations, and public benefits resulting from the proposal); and
- the effects of the proposal on competition and the financial stability of the United States.

As part of this review, the Federal Reserve also considers the structure and ownership of the resulting banking organization and any policy issues presented by the proposals, including permissibility of proposed activities.

With limited exceptions, all M&A proposals are subject to public notice and comment.⁵ In instances where the Federal Reserve receives one or more timely and substantive adverse public comments,⁶ additional time typically is needed to provide the applicant the opportunity to respond to the comments and for the Federal Reserve to evaluate the comments and the applicant’s response. Although comments may concern any of the statutory factors that the Federal Reserve must consider in connection with a proposal, most substantive adverse public comments raise concerns regarding the convenience and needs statutory factor, including the applicant’s CRA and fair lending record. In most cases, proposals subject to a substantive and timely adverse public comment are required to be acted on by the Board.⁷ Applicants are encouraged to respond to any substantive adverse comments.

Table 3 compares processing times for M&A proposals that did receive public comments and those that did not. Protested proposals during 2022 increased to 10.3 percent of total filings approved, from 3.8 percent for 2021, contributing to increased processing times in 2022. For the

⁵ Applicants are generally required to publish notice of proposals that are subject to public comment in newspapers serving certain communities in which the applicant or target has operations. In addition, the Federal Reserve publishes notices in the *Federal Register* for certain types of proposals and also posts the weekly H.2A on the Board’s website, which lists all proposals that have been or will be filed with the Federal Reserve that are subject to public comment. See <https://www.federalreserve.gov/apps/h2a/h2aindex.aspx>. These notices inform the public of the opportunity to submit written comments on the proposal.

⁶ Section 225.16 of the Board of Governors of the Federal Reserve System’s (Board) Regulation Y provides that a comment will be considered substantive “unless it involves individual complaints, or raises frivolous, previously considered, or wholly unsubstantiated claims or irrelevant issues.” Supervision and Regulation letter 9710, “Guidance on Protested Proposals,” provides additional guidance regarding certain types of comments that the Federal Reserve does not consider substantive. See Board of Governors of the Federal Reserve System, [SR letter 97-10 \(APP\) on guidance on protested proposals \(April 24, 1997\)](#), [federalreserve.gov](https://www.federalreserve.gov).

⁷ Provided the proposals meet the statutory factors for approval, the Federal Reserve Banks can approve under delegated authority proposals that do not receive substantive adverse public comments; do not raise significant legal, policy, or supervisory issues; or otherwise are not required to be acted upon by the Board.

Table 3. Merger and acquisition approved proposals, volume and processing times by proposals that did not receive adverse public comments and those that received adverse public comments, 2019–22 and 2021:H2 and 2022:H2

Mergers and acquisitions	2019	2020	2021	2022	2021:H2	2022:H2
Proposals not receiving adverse public comments						
Approved	181	140	177	139	99	59
<i>Processing time (days)</i>						
Average	56	64	62	73	59	85
Median	43	45	45	47	45	47
Proposals receiving adverse public comments						
Approved	9	4	7	16	3	5
Percent M&A receiving adverse public comments of total M&A proposals	4.7%	2.8%	3.8%	10.3%	2.9%	7.8%
<i>Processing time (days)</i>						
Average	143	232	160	208	239	268
Median	123	193	134	165	148	194

second half of 2022, the 5 M&A proposals that received substantive adverse public comments were approved in 268 days on average, compared to an average of 85 days for M&A proposals that did not receive public comments.

Pre-filing Process

The Federal Reserve has established a pre-filing process through which applicants may receive information about filing requirements, timing, and applicable forms associated with a proposal.⁸ This process also helps to identify information that may be needed in connection with issues that the Federal Reserve typically considers with a particular type of filing, such as supervisory and statutory compliance issues, competition, or financial stability. While use of the pre-filing process can reduce delays in processing a subsequent application, it does not resolve or predetermine the outcome of any substantive issue, or the disposition of the application itself. Not all pre-filings result in a final filing.

The Federal Reserve reviewed 54 pre-filing proposals in 2022, compared to 33 in 2021. Most pre-filings in 2022 concerned bank holding company M&A proposals, and CIBCA notices.

Consumer Compliance and CRA

In evaluating M&A proposals, the Federal Reserve reviews the consumer compliance (including fair lending) and CRA records of the acquiring and target organizations as part of its assessment of

⁸ The pre-filing process is described in the Federal Reserve's Supervision and Regulation letter, "Implementation of a New Process for Requesting Guidance from the Federal Reserve Regarding Bank and Nonbank Acquisitions and Other Proposals," SR letter 12-12/CA letter 12-11 (July 11, 2012), <https://www.federalreserve.gov/supervisionreg/srletters/sr1212.htm>.

the managerial and convenience and needs statutory factors. An organization's strong consumer compliance, fair lending, and CRA records can facilitate timely review of a proposal. Unaddressed consumer compliance, fair lending, or CRA weaknesses in an organization may result in longer processing times and pose barriers to approval. With respect to M&A proposals, an applicant should ensure that its consumer compliance program, policies, and procedures are adequate to ensure successful integration of the target and that the combined organization would maintain satisfactory consumer compliance and CRA programs following consummation.

Community Banking Organizations

Table 4 provides the volume and processing times of the proposal types most commonly submitted by small and large community banking organizations (CBOs). *Small CBOs* are organizations with under \$1 billion in assets, and *large CBOs* are organizations with \$1 billion to \$10 billion in assets. For 2022, average processing times for M&A proposals were 72 days for small CBOs and 96 days for large CBOs, compared to the average of 87 days for all M&A proposals (see table 2). The volume of approved proposals for large CBOs in 2022 was higher than 2021 as a result of significant increases in all proposal categories. The overall volume of approved small CBO filings in 2022 decreased when compared to 2021, primarily from decreases in CIBCA and M&A proposals.

Table 4. Proposals from CBOs, volume and processing times (days) of approved proposals, for the full years 2021 and 2022						
Proposals by applicant asset size	2021			2022		
	Approved	Average (days)	Median (days)	Approved	Average (days)	Median (days)
Under \$1 billion						
Change in control	156	61	57	118	71	57
Federal Reserve membership	13	25	13	7	45	20
FIRREA	47	12	6	29	13	7
Mergers and acquisitions	117	63	45	88	72	47
Branch establishment	45	23	21	46	21	21
Total	378			288		
\$1 billion–\$10 billion						
Change in control	23	66	57	32	62	57
Federal Reserve membership	2	11	11	4	40	22
FIRREA	5	8	2	11	5	2
Mergers and acquisitions	49	51	45	53	96	52
Branch establishment	63	25	26	77	33	22
Total	142			177		

Current Applications-Related Initiatives

The Federal Reserve is pursuing initiatives broadly related to enhancing applications processing and evaluating M&A proposals. In this regard, FedEZFile, an online application submission and processing system, was released in October 2022. FedEZFile replaces and includes a number of improvements to the prior online system, Electronic Applications System (E-Apps), which had been in production since 2008.

Additionally, pursuant to the Executive Order on Promoting Competition in the American Economy (July 9, 2021), the Board is engaged in discussions with the Department of Justice and the other federal banking agencies on how competition in banking is evaluated. The Board also is engaged in a review, concurrent with the other federal banking agencies, of the statutory factors applicable to bank merger proposals.⁹

For further reference, please consult the following: [The Fed - Semiannual Reports on Banking Applications Activity \(federalreserve.gov\)](#).

Corrections

The Federal Reserve revised this report on June 30, 2023, to reflect corrected data. The revision is listed below:

- On page 3, in table 2, the merger and acquisition proposals withdrawn for 2019 has been revised from 10 to 16.

The Federal Reserve revised this report on May 23, 2023, to reflect that at the top of page 1, under “Banking Applications Activity Semiannual Report,” the date range was changed from “June 1–December 31, 2022” to “July 1–December 31, 2022.”

⁹ Michael S. Barr, “Making the Financial System Safer and Fairer” (speech at the Brookings Institution, Washington, D.C., September 7, 2022), <https://www.federalreserve.gov/newsevents/speech/barr20220907a.htm>.