
Instructions for Preparation of FR Y-3 Application to the Board of Governors of the Federal Reserve System

Who Must File This Application

An application pursuant to section 3(a)(1) of the BHC Act is required to be filed by any United States corporation, partnership, business trust, association, or any other trust that does not terminate within twenty-five years (or within twenty-one years and ten months after the death of individuals living on the effective date of the trust) that seeks to form a bank holding company by acquiring 25 percent or more of a class of voting shares of one or more banks. The FR Y-3N should be used for notifications filed under section 3(a)(5)(c) of the BHC Act pursuant to section 225.17 of Regulation Y, if the applicable requirements are met.

An application pursuant to section 3(a)(3) of the BHC Act is required to be filed if an existing bank holding company seeks to expand its banking activities through the acquisition of shares of an additional bank or bank holding company, if after such acquisition the bank holding company would own more than five percent of the voting shares of the additional bank or bank holding company.

An application pursuant to section 3(a)(5) of the Act is required to be filed for the merger or consolidation of unaffiliated bank holding companies.

The FR Y-3N should be used for notifications filed under sections 3(a)(3) and 3(a)(5) of the BHC Act pursuant to Section 225.14 of Regulation Y, if the applicable requirements are met.

Nonbanking Activities

If Applicant proposes as part of this proposal to engage, directly or indirectly, in any nonbanking activity, it must file a companion FR Y-4 application. See section 225.28 of the Board's Regulation Y for a listing of permissible nonbanking activities approved by regulation, and sec-

tion 225.24 for application procedures to engage in those and other nonbanking activities.

Financial Holding Companies

If Applicant seeks to become a financial holding company in connection with the proposed transaction, it must submit the necessary written declaration as part of the FR Y-3 filing. The declaration must conform to Regulation Y (sections 225.81 and 225.82, or sections 225.90, 225.91, and 225.92), as appropriate. Applicant should contact the appropriate Reserve Bank for further information.

If the proposal involves a financial holding company that is seeking to acquire a depository institution that is not well capitalized or well managed, Applicant must contact the appropriate Reserve Bank regarding the development and execution of an agreement acceptable to the Board. The agreement will outline the actions to be taken by Applicant to address the financial and/or managerial deficiencies of the depository institution, and any limitations on the activities of Applicant until those deficiencies are satisfactorily addressed. The agreement must be executed prior to or upon consummation of the proposed transaction.

Foreign Organizations

If Applicant is organized under the laws of a foreign country and is seeking the initial acquisition of a domestic bank, Applicant must complete FR Y-1F instead of this application form.

Preparation of Application

Inquiries concerning the preparation and filing of this application should be directed to the Reserve Bank of the District in which the main office of Applicant's sole or principal subsidiary bank either will be or is currently

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located (“appropriate Reserve Bank”). As indicated on the cover page, an application may first be submitted in draft form whenever Applicant so chooses. Applicant should contact the Reserve Bank during preparation of the application to determine whether an examination of the bank(s) to be acquired will be required.

The required application is to be filed by submitting the information requested in this form to the appropriate Reserve Bank. Alternative formats, if used, must provide all requested information. The application must be substantially complete and responsive to each item of information requested (including an indication that the answer is “not applicable” or “none” where such is the case) in order to be considered properly filed in accordance with the requirements of the BHC Act.

The appropriate Reserve Bank, within the established time limitations, will review the submitted application to determine if it is substantially complete. If so, an acknowledgement letter will be sent indicating the date that the application has been formally accepted for processing. If not, the application will be returned to the Applicant. As necessary to complete the record of the application, a request for additional information will be sent to the contact person named in the application. Under certain circumstances, name check and financial information may be required; such information for individuals should be submitted on the Interagency Biographical and Financial Report (FR 2081c; OMB No. 7100-0134), and may be submitted in advance of the application. Contact the appropriate Reserve Bank for further information.

The Federal Reserve System reserves the right to require the filing of additional statements and information. If any information initially furnished in the application changes significantly during processing of the application, these changes should be communicated promptly to the appropriate Reserve Bank.

Publication Requirement

Pursuant to section 262.3(b)(1) of the Board’s Rules of Procedure, for applications filed pursuant to section 3(a)(1) of the BHC Act, Applicant should publish a notice in a newspaper of general circulation in the communities in which Applicant and the head office(s) of the

target bank(s) are located. For applications, filed pursuant to sections 3(a)(3) or 3(a)(5) of the BHC Act, Applicant should publish a notice in a newspaper of general circulation in the community in which the head office of Applicant’s largest subsidiary bank is located as well as in the community (communities) in which the head office(s) of the target bank(s) is (are) located. The notice should contain the name and address of Applicant and each Bank or Bank Holding Company to be directly or indirectly acquired, the subject matter of the application, and an invitation to the public to give written comments upon the application to the appropriate Reserve Bank no later than 30 calendar days after the date of publication of the notice. The newspaper notice must be published no more than 15 calendar days before and no later than 7 calendar days after the date that the application is filed with the appropriate Reserve Bank. On written request by the Applicant, the Reserve Bank may publish notice of proposals in the *Federal Register* no more than 15 calendar days before the application is filed.

Applicant should consult with the appropriate Reserve Bank for the specific publication format used at that Reserve Bank. A copy of the newspaper notice publication must be provided to the appropriate Reserve Bank, as required by Section 262.3(b) of the Board’s Rules Regarding Delegation of Authority.

Following is a sample notice:

Notice of Application
(Bank Holding Company Formation
or
Bank or Bank Holding Company Acquisition)
(Name and Address of Applicant)

intends to apply to the Federal Reserve System for permission to acquire _____ percent of (name and address of Bank) (name and address of Bank Holding Company and of each subsidiary bank). The Federal Reserve System considers a number of factors in deciding whether to approve the application, including the record of performance of banks we own in helping to meet local credit needs.

You are invited to submit comments on this application, in writing, to the Federal Reserve Bank of (name and address of appropriate Reserve Bank). The comment period will not end before (date—must be no less than

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30 days from the date of publication of the notice), and may be somewhat longer. The Federal Reserve Board's Policy Statement regarding notice of applications may be found at 12 C.F.R. 262.25. To obtain a copy of the Federal Reserve Board's procedures, or if you need more information about how to submit your comments on the application, contact the Federal Reserve Bank of (name of the Reserve Bank, name of contact, and telephone number). The Federal Reserve System will consider your comments and any request for a hearing on the application if they are received by the Federal Reserve Bank of (name of Reserve Bank) on or before the last date of the comment period.

Confidentiality

Under the provisions of the Freedom of Information Act (5 U.S.C. 552), the application is a public document and available to the public upon request.

If Applicant is of the opinion that disclosure of commercial or financial information would likely result in substantial harm to its competitive position or that of its subsidiaries, or that disclosure of information of a personal nature would result in a clearly unwarranted invasion of personal privacy, confidential treatment of such information may be requested. This request for confidential treatment must be submitted in writing concurrently with the submission of the application, and must discuss in detail the justification for confidential treatment. Such justification must be provided for each response for which confidential treatment in the public portion of the application is requested. Applicant's reasons for requesting confidentiality should demonstrate specifically the harm that would result from public release of the information. A statement simply indicating that the information would result in competitive harm or that it is personal in nature is not sufficient. (A claim that disclosure would violate the law or policy of a foreign country is not, in and of itself, sufficient to exempt information from disclosure. It must be demonstrated that disclosure would meet either the "substantial competitive harm" or "unwarranted invasion of personal privacy" tests.)

Information for which confidential treatment is requested should be: (1) specifically identified in the public portion of the application (by reference to the confidential sec-

tion); (2) separately bound; and (3) labeled "CONFIDENTIAL." Applicant should follow this same procedure on confidentiality with regard to filing any supplemental information to the application.

The Board will determine whether information submitted as confidential will be so regarded, and will advise Applicant of any decision to make available to the public information labeled "CONFIDENTIAL." However, it shall be understood that, without prior notice to Applicant, the Board may disclose or comment on any of the contents of the application in the Order or Statement issued by the Board in connection with its decision on the application. The Board's staff normally will apprise Applicant in the course of the applications process that such information may need to be disclosed in connection with the Board's action on the application.

Preliminary Charter Approval

If a proposed new operating bank is involved, Applicant should have received at least preliminary approval of the charter before filing this application in final form. Applicant should contact the appropriate Reserve Bank during the preliminary charter process regarding the application to be filed.

Supporting Information

Please note that the Federal Reserve System specifically reserves the right to require the filing of additional statements and information. The formal questions in the application are not intended to limit Applicant's presentation. Applicant bears the full burden for presenting and documenting a case to meet the statutory criteria for approval. Supporting information for any or all factors, setting forth the basis for Applicant's judgment, may accompany the application.

Compliance

The Board expects Applicant to comply with all representations and commitments made in this application. Applicant should immediately contact the appropriate Reserve Bank if there is any change in the structure of the proposal prior to consummation.

Requested Information

Requested Information

Proposed Transaction

1. Provide the following with respect to the Bank/Bank Holding Company to be acquired:
 - a. Total number of shares of each class of stock outstanding;
 - b. Number of shares of each class now owned or under option by Applicant, by subsidiaries of Applicant, by principals of Applicant,¹ by trustees for the benefit of Applicant, its subsidiaries, shareholders, and employees as a class, or by an escrow arrangement instituted by Applicant;
 - c. Number of shares of each class to be acquired by cash purchase, the amount to be paid, per share and in total, and the source of funds to be applied to the purchase;
 - d. Number of shares of each class to be acquired by exchange of stock, the exchange ratio, and the number and description of each class of Applicant's shares to be exchanged;
 - e. Copy of any existing or proposed contract or agreement that in any manner limits the ability of individuals associated with Applicant or the Bank/Bank Holding Company to compete with Applicant, its subsidiaries, or the Bank/Bank Holding Company. Discuss the purpose of and the reasonableness of such an arrangement with respect to duration, geographic area, and the institutions involved; and
 - f. A brief description of any unusual contractual terms, especially those terms not disclosed elsewhere in the application. Also, provide the expiration dates of any contractual arrangement between the parties involved in this application.

1. The term principal as used herein means any individual or corporation that (1) owns, directly or indirectly, 10 percent or more of the outstanding shares of any class; (2) is a director, trustee, partner, or executive officer; or (3) with or without ownership interest, participates, or has the authority to participate in major policy-making functions, whether or not the individual has an official title or is serving without compensation. If Applicant believes that any such individual should not be regarded as a principal, Applicant should so indicate and give reasons for such opinion.

2. If the proposed transaction is an acquisition of assets and assumption of liabilities, indicate the total price and the amount such price represents per share to the stockholders of Bank. Also, indicate the source of funds which Applicant intends to use in acquiring the assets of Bank and discuss the effect of the transaction on Applicant.
3. For applications filed pursuant to section 3(a)(1) of the BHC Act, if the proposed transaction will result in an organization other than a shell one-bank holding company, submit a pro forma organization chart showing Applicant's percentage of ownership of all banks and companies, both domestic and foreign, in which it directly or indirectly will own or control more than 5 percent of the outstanding voting shares.

Financial and Managerial Information

4. a. Provide parent company and consolidated balance sheets for Applicant.² The balance sheets should be as of the end of the most recent fiscal quarter, showing separately each principal group of assets, liabilities, and capital accounts; debit and credit adjustments (explained by footnotes) reflecting the proposed acquisition; and the resulting pro forma balance sheets. Goodwill and all other intangible assets should be set out separately on the balance sheet according to type of intangible. Also, indicate the amortization period for any amortizable intangible asset;
- b. If the total consolidated assets of Applicant exceed \$150 million, provide the amount, maturity, and a brief description of any outstanding debt instruments. Indicate which instruments qualify under the risk-based capital guidelines as tier 2 capital for the consolidated organization. This information can be provided in a footnote to the consolidated balance sheet;
- c. Material changes between the date of the balance sheets and the date of the application should be disclosed (with an appropriate explanation). If there are no material changes, a statement to that effect should be made; and

2. If Applicant's pro forma consolidated assets are less than \$150 million and if Applicant does *not* intend to either engage in a leveraged nonbank activity or issue publicly held debt, Applicant need not submit consolidated balance sheets. All other applicants will be evaluated on a consolidated basis.

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- d. Provide for Applicant, on a consolidated basis (if pro forma total consolidated assets of the organization exceed \$150 million), a breakdown of the organization's existing and pro forma risk-adjusted assets as of the end of the most recent fiscal quarter, showing each principal group of on- and off-balance sheet assets and the relevant risk-weight. Also, identify the existing and pro forma components of tier 1, tier 2, and tier 3 (if any) capital pursuant to the risk-based capital guidelines as of the end of the most recent fiscal quarter, and provide calculations of Applicant's existing and pro forma tier 1 and total capital ratios pursuant to the risk-based guidelines and the related leverage ratios.

Note: In applications filed pursuant to section 3(a)(1) of the BHC Act, if the application involves the transfer of ownership of Bank from one control group to another at the time of formation, then Applicant's carrying value for the shares of Bank would be the purchase price. If the application involves the transfer of ownership of Bank from individual to corporate form (a reorganization of existing ownership interests), then Applicant's carrying value for the shares of Bank should be the historical cost to the exchanging shareholders plus the proportionate interest in any undistributed earnings of Bank from the date those shares were acquired by the exchanging shareholders. (Bank's valuation reserves are not included in these computations.) If historical cost plus undistributed earnings cannot reasonably be determined, then present book value should be assigned to the shares of Bank as carrying value. The computation of carrying value should be detailed by footnotes to the balance sheet.

5. Provide for Applicant and Bank/Bank Holding Company:

- a. Plans to issue additional equity or long-term debt, including any debt that Applicant will incur or assume in this proposal. Specify the amount, purpose, the name and location of the lender, and provide a copy of any loan agreement or loan commitment letter from the lender which provides the interest rate, maturity, collateral, and

proposed amortization schedule; discuss generally what resources will be used to service any debt arising from the proposed transaction; and

- b. If Applicant's pro forma consolidated assets are equal to or greater than \$150 million, or if Applicant's consolidated assets are less than \$150 million and it engages in a leveraged nonbank activity or issues publicly held debt, provide cash flow projections for the parent company for each of the next three years, along with supporting schedules for each material cash receipt and disbursement, if Applicant will incur or assume any debt in this proposal and parent company long-term debt will exceed 30 percent of parent company equity capital accounts on a pro forma basis. For example, if Applicant projects that dividends from subsidiary banks will be utilized to service parent company debt, provide projections of assets, tier 1 and total capital ratios pursuant to the risk-based capital guidelines as well as the leverage ratio, earnings, and dividends for Applicant's subsidiary banks. (If the combined assets of the subsidiary banks exceed \$500 million, subsidiary bank data can be shown on an aggregate basis.) Explain the methods and assumptions utilized in the projections, and support all assumptions which deviate from historical performance; or
- c. If Applicant's pro forma consolidated assets are less than \$150 million, provide cash flow projections for the parent company for each of the next twelve years, along with supporting schedules for each material cash receipt and disbursement, if Applicant will incur or assume any debt in this proposal and parent company long-term debt will exceed 30 percent of parent company equity capital accounts on a pro forma basis.³ Such projections for the parent company must clearly demonstrate the ability to reduce the long-term debt to equity ratio to 30 percent or less within twelve years of consummation and must take into account the schedule of principal reduction required by the parent company's creditor(s). Include projections of subsidiary bank(s) assets, tier 1 and total capital ratios pursuant to the

3. If Applicant's pro forma consolidated assets are less than \$150 million and if Applicant is either engaged in a leveraged nonbank activity or has issued publicly held debt, Applicant need not submit the specified cash flow projections.

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risk-based capital guidelines as well as the leverage ratio, earnings, and dividends. Explain the methods and assumptions utilized in the projections, and support all assumptions which deviate from historical performance.

6. For applications filed pursuant to section 3(a)(1) of the BHC Act, provide for Applicant and Bank a list of principals (including changes or additions to this list to reflect consummation of the transaction), providing information with respect to each as follows:
 - a. Name and address (City and State/Country). If the principal's country of citizenship is different from his or her country of residence, then state the country of citizenship;
 - b. Title or positions with Applicant and Bank;
 - c. Number and percentage of each class of shares of Applicant and Bank owned, controlled, or held with power to vote by this individual;⁴
 - d. Principal occupation if other than with Applicant or Bank; and
 - e. Percentage of direct or indirect ownership, if such ownership represents 10 percent or more of any class of shares, or positions held in any other depository institution or depository institution holding company.⁵ Give the name and location of such other depository institution or depository institution holding company. (Information that has been collected or updated within the past 12 months may be submitted, unless Applicant has reason to believe that such information is incorrect.)
7. For applications filed pursuant to sections 3(a)(3) or 3(a)(5) of the BHC Act, list any changes in management or other principal relationships for Applicant and the Bank/Bank Holding Company which will result from the proposal. For any existing or proposed principal of Applicant or Bank/Bank Holding

4. Include shares owned, controlled or held with power to vote by principal's spouse, dependents and other immediate family members. Give record ownership and, to the extent information is available, beneficial ownership of shares held by trustees, nominees, or in street names.

5. For purposes of this application, a "depository institution" is defined as a commercial bank (including a private bank), a savings bank, a trust company, a savings and loan association, a homestead association, a cooperative bank, an industrial bank, or a credit union.

Company that is also a principal of any other depository institution or depository institution holding company, provide the following information:

- a. Name, address, and title or position with Applicant, Bank/Bank Holding Company, and the other depository institution or depository institution holding company (give the name and location of the other depository institution or depository institution holding company);
 - b. Number and percentage of each class of shares of Applicant and Bank/Bank Holding Company owned, controlled, or held with power to vote by this individual;⁶
 - c. Principal occupation if other than with Applicant or Bank/Bank Holding Company; and
 - d. Percentage of direct or indirect ownership held in the other depository institution or depository institution holding company if such ownership represents 10 percent or more of any class of shares. (Information that has been collected or updated within the past 12 months may be submitted, unless Applicant has reason to believe that such information is incorrect.)
8. Discuss any material change in the financial condition of Bank/Bank Holding Company since the most recent examination/inspection. Indicate the amount of any dividend payment by Bank/Bank Holding Company since the date of the most recent report of condition and report of income and dividends. Also, indicate the amount of any Bank/Bank Holding Company dividends that are planned prior to consummation. For applications filed pursuant to section 3(a)(1) of the BHC Act, provide for Bank a copy of all schedules from the most recent report of condition and report of income and dividends as filed with a Federal supervisory authority.

Note: If the total banking assets of the resulting organization are less than \$150 million, provide a response to the following:

9. Upon consummation of the proposed transaction, for each principal of Applicant who will either retain personal indebtedness or act as guarantor for any debt that was incurred in the acquisition of shares of

6. As defined in footnote number 4.

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Applicant or Bank/Bank Holding Company, provide the following:

- a. Name of borrower and title, position, or other designation that makes the borrower a principal of Applicant;
- b. Amount of personal indebtedness to be retained;
- c. A description of the terms of the borrowing, and the name and location of the lender;
- d. Statement of net worth as of a date within three months of Applicant's final filing of the application. The statement of net worth should be in sufficient detail to indicate each principal group of assets and liabilities of the reporting principal, and the basis for the valuation of assets. In addition to debts and liabilities, the reporting principal should state on a separate schedule, any endorsed, guaranteed, or otherwise indirect or contingent liability for the obligation of others; and
- e. Statement of most current year's income. In addition to indicating each principal source of annual income, the reporting principal should list annual fixed obligations arising from amortization and other debt servicing. (If the most current year's statement is not representative of the future, the reporting principal should submit a pro forma income statement and discuss the significant changes.)

Competition and Convenience and Needs

Note: If the subject transaction is a bank holding company formation involving only one bank or an application filed pursuant to section 3(a)(3) or 3(a)(5) of the BHC Act to acquire a *de novo* bank, a response to items 10 and 11 is not required. Otherwise, Applicant should contact the appropriate Reserve Bank to determine whether a response to items 10 and 11 will be necessary. If a response is required, Applicant should obtain a preliminary definition of the relevant banking markets from the appropriate Reserve Bank. If Applicant disagrees with the Reserve Bank's preliminary definition of the banking market(s), it may in addition to supplying the information requested on the basis of the Reserve Bank's definition of the banking market(s), include its own definition of the banking market(s), with supportive

data, and answer the questions based on its definition. If later analysis leads Federal Reserve staff to alter the preliminary definition provided, Applicant will be so informed.

10. Discuss the effects of the proposed transaction on competition considering the structural criteria specified in the Board's Rules Regarding Delegation of Authority (section 265.11c(11)(v)). Applicant may be required to provide additional information if Federal Reserve staff determines that the proposal exceeds existing competitive guidelines. Also, if divestiture of all or any portion of any bank or nonbanking company constitutes part of this proposal, discuss in detail the specifics and timing of such divestiture.
11. If the proposal involves the acquisition of nonbank operations under section 4(c)(8) of the Bank Holding Company Act, a Form FR Y-4 should be submitted in connection with FR Y-3 filing. At a minimum, the information related to the nonbank operations should include the following:
 - a. A description of the activity;
 - b. The name and location of Applicant's and Bank's direct or indirect subsidiaries that engage in the activity;
 - c. Identification of the geographic and product markets in which competition would be affected by the proposal;
 - d. A description of the effect of the proposal on competition in the relevant markets; and
 - e. A list of major competitors in that market in the proposed activity.

In addition, the applicant should identify any other nonbank operations to be acquired, with brief descriptions of the activities provided and relevant authorities under sections 225.22, 225.86, and 225.170 of Regulation Y cited, as appropriate.

12. a. Describe how the proposal will meet the convenience and needs of the target Bank's community(ies). List any significant changes in services or products that will result from the consummation of the transaction. If any services or products will be discontinued, describe and explain the reasons.

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- b. Discuss the programs, products, and activities of the depository subsidiaries of the Applicant or the target Bank that will meet the existing or anticipated needs of its community(ies) under the applicable criteria of the Community Reinvestment Act (CRA) regulation, including the needs of low- and moderate-income geographies and individuals. For a subsidiary of the Applicant or target Bank that has received a CRA composite rating of “needs to improve” or “substantial noncompliance” institution-wide or, where applicable, in a state or multi-state MSA, or has received an evaluation of less than satisfactory performance in an MSA or in the non-MSA portion of a state in which the applicant is expanding as a result of the transaction, describe the specific actions, if any, that have been taken to address the deficiencies in the institution’s CRA performance record since the rating.
13. In an application in which any principal of Applicant or Bank/Bank Holding Company is also a principal of any other insured depository institution or depository institution holding company, give the name and location of each office of such other institution that is located within the relevant banking market of Bank/Bank Holding Company, and give the approximate road miles by the most accessible and traveled route between those offices and each of the offices of Bank/Bank Holding Company.