

normally. The exception from past due reporting for GNMA loans "in foreclosure status" predates FAS 140. More specifically, when this exception was added to the FR Y-9C instructions, the accounting standards then in effect did not require the seller to rebook delinquent GNMA loans for which the repurchase option became unconditional unless the loans were actually repurchased. Institutions could choose to repurchase delinquent GNMA loans "in foreclosure status" from the loan pool backing a GNMA security rather than continuing to make monthly advances to the pool on these delinquent loans while initiating foreclosure action.

Until the exception was added, an institution that repurchased delinquent loans in foreclosure status had to report the loans as past due in its regulatory reports whereas an institution making monthly advances on delinquent loans without repurchasing them did not have to report these loans as past due. The creation of the exception eliminated this reporting difference, which depended on how the institution chose to handle its servicing responsibilities. In contrast, under FAS 140, delinquent GNMA loans must be rebooked as assets as soon as the repurchase option becomes unconditional, whether or not the loans are repurchased. Consequently, the difference in balance sheet treatment for repurchased delinquent GNMA loans versus those eligible for repurchase that led the agencies to create the exception from past due reporting no longer exists. Therefore the Federal Reserve proposes that all delinquent rebooked GNMA loans, including those in foreclosure status, should be treated consistently and reported as past due in new item 11(b).

#### Clarifications

In March 2005 the Federal Reserve began collecting information on the FR Y-9C on the name and address of the BHC's external auditing firm and the name and e-mail address of the engagement partner. This information is completed only by top-tier BHCs that have a full-scope audit conducted. Effective for the December 31, 2005, report date, in order to confirm that a BHC did have a full-scope audit conducted, the FR Y-9C reporting form would be clarified by adding a checkbox for a respondent to indicate if they had engaged in a full-scope audit as of the December 31, report date. This checkbox would also be added to the FR Y-9SP as of the December 31, 2005, reporting date.

Schedule HC-R, Regulatory Capital, does not currently allow a BHC to report

an amount in column B, "Items Not Subject to Risk-Weighting," item 34, "Cash and balances due from depository institutions," because such items were not expected to exist within this asset category when this schedule was originally designed. However, when amounts are included in column A, "Totals (from Schedule HC)," item 34 for certain embedded derivatives; these embedded derivatives should be risk-weighted under the rules for derivatives rather than the rules that apply to the cash and due from asset account. Effective for the September 30, 2005, report date, in order to allow for the proper reporting of these embedded derivatives included in item 34, column A, the Federal Reserve would modify Schedule HC-R to permit the use of column B, item 34.

Board of Governors of the Federal Reserve System, July 6, 2005.

**Jennifer J. Johnson,**

*Secretary of the Board.*

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**BILLING CODE 6210-01-P**

## FEDERAL RESERVE SYSTEM

### Agency Information Collection Activities: Announcement of Board Approval Under Delegated Authority and Submission to OMB

#### Summary

##### Background

Notice is hereby given of the final approval of proposed information collections by the Board of Governors of the Federal Reserve System (Board) under OMB delegated authority, as per 5 CFR 1320.16 (OMB Regulations on Controlling Paperwork Burdens on the Public). Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the OMB 83-Is and supporting statements and approved collection of information instrument(s) are placed into OMB's public docket files. The Federal Reserve may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB control number.

#### FOR FURTHER INFORMATION CONTACT:

Federal Reserve Board Clearance Officer—Michelle Long—Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202) 452-3829.

OMB Desk Officer—Mark Menchik—Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235, Washington, DC 20503, or e-mail to [mmenchik@omb.eop.gov](mailto:mmenchik@omb.eop.gov).

*Final approval under OMB delegated authority of the extension for three years, with revision, of the following report:*

*Report title:* Reports of Foreign Banking Organizations.

*Agency form numbers:* FR Y-7, FR Y-7N, FR Y-7NS, and FR Y-7Q.

*OMB control number:* 7100-0125.

*Frequency:* Quarterly and annually.

*Reporters:* Foreign banking organizations (FBOs).

*Annual reporting hours:* 5,384 hours.

*Estimated average hours per response:*

FR Y-7: 3.50 hours; FR Y-7N (quarterly): 6 hours; FR Y-7N (annual): 6 hours; FR Y-7NS: 1 hour; FR Y-7Q (quarterly): 1.25 hours; FR Y-7Q (annual): 1 hour.

*Number of respondents:* FR Y-7: 257; FR Y-7N (quarterly): 129; FR Y-7N (annual): 137; FR Y-7NS: 170; FR Y-7Q (quarterly): 52; FR Y-7Q (annual): 136.

*General description of report:* This information collection is mandatory (12 U.S.C. 601-604a, 611-631, 1844(c), 3106, and 3108(a)). Confidential treatment is not routinely given to the data in these reports. However, the FR Y-7Q data will be held confidential until 120 days after the as-of date. Also, confidential treatment for information, in whole or in part, on any of the reporting forms can be requested in accordance with the instructions to the form, pursuant to sections (b)(4) and (b)(6) of the Freedom of Information Act [5 U.S.C. 522(b)(4) and (b)(6)].

*Abstract:* The FR Y-7 is filed by all foreign banking organizations (FBOs) that engage in banking in the United States, either directly or indirectly, to update their financial and organizational information. The Federal Reserve uses information to assess an FBO's ability to be a continuing source of strength to its U.S. banking operations and to determine compliance with U.S. laws and regulations.

The FR Y-7N collects financial information for U.S. nonbank subsidiaries held by FBOs other than through a U.S. bank holding company or bank. This report consists of a balance sheet and income statement; information on changes in equity capital, changes in the allowance for loan and lease losses, off-balance-sheet items, and loans; and a memoranda section. The FR Y-7NS collects net income, total assets, equity capital, and

total off-balance-sheet items for smaller, less complex subsidiaries.

The FR Y-7Q collects consolidated capital and asset information from all FBOs. The report collects tier 1 capital, total risk-based capital, risk-weighted assets, and total assets.

*Current actions:* On October 25, 2004, the Federal Reserve issued for public comment proposed revisions to the FR Y-7 (69 FR 62269). The Federal Reserve proposed to revise the FR Y-7 by requiring that only top-tier FBOs file the FR Y-7 report, modifying the cover pages, changing the order of the report and instructions, and clarifying several areas in the instructions. The Federal Reserve proposed to revise the FR Y-7 to be consistent with the reporting requirements detailed in the Annual Report of Bank Holding Companies (FR Y-6; OMB No. 7100-0124), Report of Changes in Organizational Structure (FR Y-10; OMB No. 7100-0297), and the Report of Changes in FBO Organizational Structure (FR Y-10F; OMB No. 7100-0297). The proposed revisions to the FR Y-7 were to be effective beginning with fiscal year-ends of December 31, 2004; the Federal Reserve requested specific comment on the appropriateness of this effective date. The Federal Reserve also proposed to revise the FR Y-7N reporting instructions with respect to balances due from related organizations, to insure consistent reporting of unconsolidated subsidiaries, and to parallel changes proposed for other nonbank subsidiary reports. The revisions to the FR Y-7N were to be effective as of the March 31, 2005, report date. The Federal Reserve received seven comment letters from: two international trade associations, three foreign banking organizations (FBOs), and two law firms. The comments are summarized and addressed below.

#### *Top-Tier FBO Filing*

The Federal Reserve originally proposed requiring that only top-tier FBOs file the FR Y-7 report, consistent with the reporting requirement of the Annual Report of Bank Holding Companies (FR Y-6; OMB No. 7100-0124) filed by domestic bank holding companies. All seven commenters expressed concerns about the feasibility of implementing this requirement. Commenters stated that the proposal, under which a top-tier FBO would be required to file on behalf of another foreign bank in which it had only a minority interest, would pose both legal and practical problems. Because the top-tier FBO may not have control of the minority-owned bank under applicable foreign law, the top-tier FBO might not

be able to provide the information required by the FR Y-7 on a consolidated basis. One commenter specifically noted that the top-tier FBO often does not have any practical ability to control or require the minority interest investment to disclose what is considered confidential, proprietary information.

In light of these comments, the Federal Reserve will withdraw the proposed requirement that only top-tier FBOs file the FR Y-7 and retain the current requirements.

#### *Confidential Treatment of Shareholder Information*

The Federal Reserve proposed adding language to the confidentiality provisions of the FR Y-7 stating that it is Board policy to disclose information about persons owning 10 percent or more of any class of voting shares of a FBO absent a showing of a "well-defined present threat to the liberty or personal security of individuals." Information on shareholders of FBOs is collected under Report Item 3. Similar language has appeared on the FR Y-6 for several years.

Commenters expressed concern that the proposed language would change the operative standard under the Freedom of Information Act ("FOIA") for withholding personal information<sup>1</sup> and would discourage or preclude filers from arguing for withholding based on other grounds (e.g., that foreign law prohibits the public disclosure of shareholder information). One commenter expressed concern that a definition of "well-defined, present threat to an individual's liberty or personal security" was not included.

The proposed language does not change the operative FOIA standard; rather, it puts filers on notice that the Board considers the public interest in disclosure of information to be so strong that it generally will be considered to be outweighed only with this type of showing. The proposed language does not forbid filers from raising other, lesser grounds for withholding.

The Federal Reserve will supplement the proposed text in a manner that

<sup>1</sup> Exemption 6 of the FOIA permits the withholding of personal information the disclosure of which would result in a clearly unwarranted invasion of personal privacy. The privacy interest at issue is the individual's interest in restricting dissemination of information about him or her self. Once a request for withholding under exemption 6 is made, an agency must balance the asserted ground for withholding against the public interest in disclosure. The relevant public interest is in disclosure of material that would shed light on the agency's performance of its duties. If, on balance, the public interest outweighs the asserted personal interest, the information must be released absent another basis for withholding.

would put reporters on notice of the Board's view of the strong public interest in the public availability of shareholder information while emphasizing that submitters may request confidentiality on any ground available under the FOIA.

#### *Signature Requirement*

The Federal Reserve proposed that a director and officer of the FBO certify that the report has been prepared in conformance with the instructions. Five commenters argued that it was not reasonable to have a managing board member of the top-tier FBO sign the report which represents information from international banks with operations in a number of jurisdictions. They note that the data reported on the FR Y-7 most often is compiled by non-executive employees who are most familiar with that information. They emphasize that the completed forms typically are signed by high-level individuals either within the U.S. operations structure or responsible for the FBO's foreign operations and suggest that the proposed change could result in the reporting of less accurate or less complete information. They also suggest that language differences might impede efforts to obtain a higher-level signature.

The Federal Reserve recognizes the concern addressed by the commenters and believes that accountability issues of this nature are perhaps more appropriately advanced by a FBO's home, rather than host, supervisor. The Federal Reserve will not adopt this proposal and, instead, will retain the existing requirement that the FR Y-7 be signed by an "authorized official."

#### *Implementation Date of Proposed Revisions*

The Federal Reserve had proposed to make the changes to the FR Y-7 effective for fiscal years beginning December 31, 2004. Six commenters expressed concerns about their ability to meet this deadline, stating they needed additional time to make changes to their reporting systems and procedures.

In response to these comments, the Federal Reserve will delay the implementation date until fiscal years beginning December 31, 2005.

#### *Expand the Information Required for Companies Held Under Authority of Section 211.23(f)(5) of the Board's Regulation K*

The Federal Reserve proposed expanding the information collected on companies held under authority of section 2(h)(2) of the BHC Act to include the legal name, location,

intercompany ownership and percentage of ownership of voting equity, nonvoting equity, or other interests. This change is needed to ensure that the Federal Reserve receives sufficient information to be able to verify reporters' compliance with the requirements of section 211.23(f)(5) of Regulation K (12 CFR 211.23(f)(5)). Four commenters expressed concern with regard to the increased burden in obtaining and reporting this level of detail from these types of companies.

The Federal Reserve acknowledges that the proposal would increase the filing burden of reporters. However, any burden should be minimal inasmuch as reporters are required to maintain the requested information for internal compliance purposes. This nominal increase in burden is outweighed by the Federal Reserve's need for the requested information.

Upon review of this proposal, the Federal Reserve identified areas in which the proposed language of Report Item 2b could be improved. These improvements will be reflected in the report.

#### Comments Not Related to the Proposed Changes

##### *Certain Interests Not Reportable Under Report Item 2b*

Since the FR Y-7 was last amended, counsel for one FBO asked whether foreign banks need to monitor holdings in dealing accounts at their foreign broker-dealers to determine whether those holdings comply with section 211.23(f)(5) of Regulation K. The commenter noted that foreign banks appear to be taking different approaches in this regard.

Under a 1971 Board interpretation (12 CFR 225.124(d)), a foreign bank holding company may underwrite or deal in shares of stock (including shares of United States issuers) to be distributed outside the United States, provided that shares so acquired are disposed of within a reasonable time (essentially, no longer than one year). Shares held pursuant to this interpretation need not be reported on report item 2b, provided that the holding of the shares is in all respects consistent with the interpretation. The FR Y-7 instructions will be clarified using language from the 1971 Board interpretation.

##### *Special Purpose Vehicles*

Three commenters requested a broader exemption for the reporting of special purpose vehicles (SPVs). The current exemption only applies to leasing SPVs.

The Federal Reserve will continue to collect information on SPVs and will

investigate whether a broader exemption might be practical or warranted in relation to the Federal Reserve's supervisory needs.

##### *FR Y-7Q Confidentiality*

One commenter asked the Federal Reserve to extend the period of time following filing during which the FR Y-7Q reports are automatically granted confidential status. The current timeframe for not releasing the FR Y-7Q reports to the public is 120 days from the report date. The commenter requested that the timeframe be extended to 180 days.

In considering this comment, the Federal Reserve believes that transparency and disclosure are important and justify the current FR Y-7Q policy and timeframe. As noted by the commenter, extensions of confidentiality are reviewed on a case-by-case basis and determined based on the merits of the argument presented for requesting confidential treatment.

##### *Future FR Y-7 Revisions*

One commenter requested that the Federal Reserve consider improvements to the process for amending the FR Y-7 and reduce the frequency with which changes are made to the form.

As mandated by the Paperwork Reduction Act, the Federal Reserve must review its information collections a minimum of every three years. However, changes in accounting practices, regulations, and industry practices often necessitate making revisions to reports on a more frequent basis.

Board of Governors of the Federal Reserve System, July 6, 2005.

**Jennifer J. Johnson,**  
*Secretary of the Board.*

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#### FEDERAL RESERVE SYSTEM

##### **Change in Bank Control Notices; Acquisition of Shares of Bank or Bank Holding Companies**

The notificants listed below have applied under the Change in Bank Control Act (12 U.S.C. 1817(j)) and § 225.41 of the Board's Regulation Y (12 CFR 225.41) to acquire a bank or bank holding company. The factors that are considered in acting on the notices are set forth in paragraph 7 of the Act (12 U.S.C. 1817(j)(7)).

The notices are available for immediate inspection at the Federal Reserve Bank indicated. The notices also will be available for inspection at

the office of the Board of Governors. Interested persons may express their views in writing to the Reserve Bank indicated for that notice or to the offices of the Board of Governors. Comments must be received not later than July 26, 2005.

**A. Federal Reserve Bank of Cleveland**  
(Cindy West, Manager) 1455 East Sixth Street, Cleveland, Ohio 44101-2566:

1. *Charles H. Snyder, Jr., David E. Snyder, Dennis C. Snyder, Elmer A. Snyder, Separate Shares Grandchildren Trust, Mark A. Snyder, Richard G. Snyder, Thomas C. Snyder, and Roger Claypoole*, all of Kittanning, Pennsylvania, collectively known as the Snyder Group; to acquire additional voting shares of Merchants Bancorp of Pennsylvania, Inc., Kittanning, Pennsylvania, and thereby indirectly acquire additional voting shares of Merchants National Bank, Kittanning, Pennsylvania.

Board of Governors of the Federal Reserve System, July 6, 2005.

**Robert deV. Frierson,**

*Deputy Secretary of the Board.*

[FR Doc. 05-13627 Filed 7-11-05; 8:45 am]

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#### FEDERAL RESERVE SYSTEM

##### **Formations of, Acquisitions by, and Mergers of Bank Holding Companies**

The companies listed in this notice have applied to the Board for approval, pursuant to the Bank Holding Company Act of 1956 (12 U.S.C. 1841 *et seq.*) (BHC Act), Regulation Y (12 CFR Part 225), and all other applicable statutes and regulations to become a bank holding company and/or to acquire the assets or the ownership of, control of, or the power to vote shares of a bank or bank holding company and all of the banks and nonbanking companies owned by the bank holding company, including the companies listed below.

The applications listed below, as well as other related filings required by the Board, are available for immediate inspection at the Federal Reserve Bank indicated. The application also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the standards enumerated in the BHC Act (12 U.S.C. 1842(c)). If the proposal also involves the acquisition of a nonbanking company, the review also includes whether the acquisition of the nonbanking company complies with the standards in section 4 of the BHC Act (12 U.S.C. 1843). Unless otherwise noted, nonbanking activities will be conducted throughout the United States.