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November 15, 2002

Via email to [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

Ms. Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, N.W.  
Washington, DC 20551

Re: Federal Reserve Board; Agency Information Collection Activities: Financial Statements for Bank Holding Companies; Form numbers: FR Y-9C, FR Y-9LP, FR Y-9SP, FR Y-9CS; OMB control number 7100-0128; 67 Federal Register 58425; September 16, 2002

Dear Ms. Johnson:

The Board of Governors of the Federal Reserve System ("Board") proposes to require electronic submission of all FR Y-9 reports effective with the June 30, 2003, report date for FR Y-9C and FR Y-9LP filers and the December 31, 2003, report date for FR Y-9SP filers. The Board would no longer accept paper copy reports from bank holding companies ("BHCs"). The current submission deadline would remain 45 calendar days after the report date. The proposed change would affect all bank holding companies. The American Bankers Association ("ABA") brings together all categories of banking institutions to best represent the interests of this rapidly changing industry. Its membership - which includes community, regional and money center banks and holding companies, as well as savings associations, trust companies and savings banks - makes ABA the largest banking trade association in the country.

In general, the American Bankers Association supports timely and accurate information about all publicly held corporations, and so supports the proposal with respect to large BHCs. However, ABA concludes that the Board's proposal would impose electronic filing requirements on many small institutions at considerable expense for little result. ABA believes that the Board has not justified the proposed increase in regulatory burden for small entities and that the Board should not adopt the proposal with respect to the filing of the FR Y-9SP for such small institutions. ABA's reasons for that conclusion are set out below.

The Board states that this proposal is a first step in an ongoing effort to provide the public with financial information for U.S. BHCs on a timelier basis. "The Board anticipates that in the future BHCs would be required to build into their electronic submission software data editing capabilities utilizing the Board's 'validity' and 'quality' edits." (67 FR 58426) The Board envisions that when these two

requirements, mandated electronic submission and editing, are operating effectively, it could accelerate the public release of BHC financial data in a time frame that is much closer to the submission date.<sup>1</sup> From the Board's discussion, the Board appears to anticipate shortening the delay in releasing the data from 35 days post submission to 10 days post submission. While a 25-day shortening of the disclosure period is an improvement, it does not appear to be an enormously significant one, especially for small BHCs filing the FR Y-9SP.

The Board states that it believes that "[t]his revised process should not be a significant burden to large or small bank holding companies because of advancements in, and the common use of, computer technology, and because all banks are currently required to submit their Call Reports electronically." ABA believes that this conclusion is simply incorrect. First, BHC filers of FR Y-9 reports may be divided into two categories: small BHCs filing the FR Y-9SP and larger BHCs filing other reports in the FR Y-9 series. The Board defines a small BHC as one with less than \$150 million in assets.<sup>2</sup> The Board reports that approximately 60% of the larger BHCs submit their FR Y-9C and FR Y-9LP reports electronically, while about 20% of the smaller BHCs submit their FR Y-9SP reports electronically. According to Board staff, there are 3,566 small bank holding companies filing the Y-9SP. Thus the Board will be imposing electronic filing requirements on approximately 2,850 small entities.

The FR Y-9SP is, according to the Board, "a parent company only financial statement filed semiannually by one-bank holding companies with total consolidated assets of less than \$150 million, and multibank holding companies with total consolidated assets of less than \$150 million that meet certain other criteria. This report, an abbreviated version of the more extensive FR Y-9LP, is designed to obtain basic balance sheet and income statement information for the parent company, information on intangible assets, and information on intercompany transactions." The FR Y-9SP is abbreviated to only five pages (not counting the cover page for transmittal purposes). For one-bank shell holding companies, it is largely a simplification of the bank's Call Report that appears to contain little information urgently needed by the public. In fact, the Board only requires the FR Y-9SP to be filed semiannually, rather than quarterly, which clearly demonstrates the Board's lack of any urgent need for the information.

If, as a result of the Board adoption of this proposal, 2,850 small institutions will need to file electronically, an analysis of the impact on small institutions needs to be approximated. The Board provides a list of vendors that provide suitable software for electronic filing of the FR Y-9 series. Reviews of these vendors' websites and/or calls to their product sales lines leads us to believe that most of these vendors are selling accounting and information system packages that also will generate FR Y-9 reports. These systems typically retail for \$40,000 and up for a mid-sized banking organization. Only two of the listed vendors appear to sell a simple FR Y-9 reporting package: Sheshunoff offers a Y-9 SP report generator that sells for \$50/year, and Intercept sells a Y-9SP reporter for \$49/year. Using the cheapest alternative, our 2,850 small bank holding companies will

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<sup>1</sup> "Currently, the Board makes available to the public via the Internet (at the Board's public web site at [www.federalreserve.gov](http://www.federalreserve.gov)) data from the FR Y-9C and FR Y-9LP reports for the 50 largest U.S. BHCs generally within 10 days of the submission deadline. All other FR Y-9 data are typically posted to the Internet within 35 days after the submission date. These data are posted to the Internet after the financial data are reviewed and edited by the Board." 67 FR 58427

<sup>2</sup> ABA has in the past requested that the Board raise the asset threshold for a small bank holding company from \$150 million to \$500 million, noting that in just adjusting for inflation, the \$150 million threshold should be at least \$300 million. ABA continues to believe that the Board needs to enlarge the definition of a small BHC as part of an overall reduction in regulatory burden.

spend at least \$142,000/year to comply with this proposed change.<sup>3</sup> While this is not a great deal of money, it does not appear to be a cost that has been adequately justified by the Board in its analysis of the impact of the proposal on small institutions.

Therefore, ABA recommends that the Board not adopt a requirement for electronic filing of the FR Y-9SP by small bank holding companies, unless the Board proposes such a requirement in a new rulemaking and provides a more convincing cost-benefit analysis than it has. As an alternative, ABA suggests that the Board post the FR Y-9SP as a form on a secure server so that small bank holding companies could download the form, enter the information from their completed FR Y-9SPs into the form, and submit it electronically to the Board. This could be a much more cost effective solution (for these small entities, at least) to the Board's concerns.

If there are any questions about this comment, please call the undersigned.

Sincerely,

A handwritten signature in black ink that reads "Paul Alan Smith". The signature is written in a cursive, flowing style.

Paul Smith  
Senior Counsel

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<sup>3</sup> This, of course, leaves out any training costs, hardware costs, and related expenses for using the software to generate the electronic filing. Additionally, the cost may go up, when the Board adds requirements for all of its edits to be included, although the Sheshunoff product appears to contain some of the Board's edits already. See <https://secure.sheshunoff.com/D88.html>.