

FED NOTES: Originally published in the Summer 2016 edition of *Bank Owner* magazine.

## **Complete and accurate filings aid timely processing**

By Zachary Lundquist

Applications or notices filed with the Federal Reserve often require an individual or representative to submit certain Federal Reserve forms specific to the type of filing. When an individual or representative takes time to ensure an FR Form is submitted to the Federal Reserve with complete and accurate information, it facilitates timely processing.

An FR Form that may be challenging to both new and experienced filers of applications or notices is the FR 2081c, "Interagency Biographical and Financial Report." The IBFR is required for multiple types of applications and notices. The primary purpose of the IBFR is to provide information to the Federal Reserve that we use to evaluate the competence, experience, character, integrity and financial ability of an individual who is or will be a principal or controlling shareholder, key policymaker, director, or senior executive officer.

There are two sections within the IBFR where accurate and complete information is especially important with respect to processing time and that have tended to raise the most problems. These two sections are "Legal and Related Matters" and "Financial Reports."

### **Legal and Related Matters**

This section of the IBFR includes, but is not limited to, the disclosure of involvement in, whether personally or through a depository institution or company, a bankruptcy, default/lien/judgment, lawsuit, or criminal charge. There is no length of time since the event after which disclosure is not required. Events do not need to be related to banking or financial matters. The most common undisclosed event that delays processing of applications or notices are criminal charges related to driving while intoxicated.

If an individual was involved with any of the matters described in this section of the IBFR, the individual must disclose the event completely and accurately. Disclosure of such an event does not automatically raise significant issues, though we may ask for additional details. However, we also request background information from other regulatory and investigative agencies as outlined in Supervision and Regulation Letter 15-8, "Name Check Process for Domestic and International Applications." This process often identifies undisclosed events. Failure to disclose the involvement completely and accurately requires additional clarification and consideration

by staff of the Board of Governors of the Federal Reserve System. This frequently adds considerable time to process the application or notice.

Questions 5(f) and 5(g) of the IBFR provide general guidance on the details needed to ensure full disclosure. For example, details required for a criminal charge include:

- The nature of the offense (i.e, charge)
- The date of the offense
- The location of the offense
- The resolution or disposition of the charge (i.e., outcome in court)

Please be aware that all criminal charges are required to be disclosed in the IBFR, including misdemeanors and criminal convictions that were later expunged through court proceedings.

## **Financial Reports**

This section of the IBFR requires disclosure of personal financial information and cash flow statements. The IBFR includes a balance sheet with several schedules for additional detail regarding assets and liabilities as well as a cash flow statement with space to disclose sources and uses of cash.

Listed below are reminders based on common oversights we see in the “Financial Reports” section of the IBFR.

## **Financial Statements**

- An individual’s balance sheet must be dated no more than 90 days prior to the date the filing is submitted.
- Each asset and liability reported on the balance sheet of an individual should be itemized within the appropriate schedule, with the exception of cash.
- Any balance sheet submitted must balance (i.e., total assets = total liability + net worth), and the totals from the appropriate asset and liability schedules must match the balance sheet.
- If an interest in a company other than a bank holding company or depository institution equals or exceeds 10 percent of an individual’s net worth the individual must provide the

company's year-end balance sheets, income statements, and cash flow statements for the last two years. Note that this does not include interest in publicly traded companies.

### **Cash Flow Statements**

- The cash flow statement must include a cash flow for four years: two-years-prior, one-year-prior, current-year-projected and following-year-projected (e.g., 2014, 2015, 2016 and 2017).
- The net cash flow should equal the total cash received less the total cash outlay.

Following these reminders with respect to the “Legal and Related Matters” and “Financial Reports” sections of the IBFR will help reduce the potential for delays in the processing of an application or notice.

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