



FINANCIAL

1701 N Towanda Avenue  
PO Box 2020  
Bloomington, IL 61702-2020  
309-821-3000  
[www.countryfinancial.com](http://www.countryfinancial.com)

January 9, 2012

BY EMAIL

Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, N.W.  
Washington, D.C. 20551  
[regs.comment@federalreserve.gov](mailto:regs.comment@federalreserve.gov)

Re: ***Proposed Agency Information Collection Activities—FR 2320***  
**76 Fed. Reg. 70146 (November 10, 2011)**

Dear Ms. Johnson:

On behalf of the Illinois Agricultural Association ("IAA"), Illinois Agricultural Holding Co. ("IAHC"), COUNTRY Life Insurance Company ("CLIC") and COUNTRY Trust Bank, FSB (the "Bank"), I write in response to the Board of Governors of the Federal Reserve System's (the "Board") newly proposed Form 2320, Quarterly Savings and Loan Holding Company Report (the "Proposed Report"). We welcome the opportunity to comment on the Proposed Report and write to express certain concerns with the reporting requirements set forth therein.

The Bank, a federal savings bank, is a direct, wholly owned subsidiary of CLIC, which is organized as an Illinois stock insurance company. CLIC is a direct subsidiary of IAHC, an Illinois corporation. IAHC is in turn a direct subsidiary of IAA. IAA is headquartered in Bloomington, Illinois and has provided, through its subsidiaries, agricultural, insurance and financial services for more than 80 years.

By virtue of their ownership of the Bank, each of CLIC, IAHC and IAA is a grandfathered unitary savings and loan holding company (a "Grandfathered SLHC") under Title IV of the Gramm-Leach-Bliley Act of 1999 and Section 10(c)(9)(C) of the Home Owners' Loan Act ("HOLA").

In August 2011, the Board proposed a new reporting framework for SLHCs (76 Fed. Reg. 53129 (August 25, 2011)). In a release (the "Reporting Release") dated December 23, 2011 (76 Fed. Reg. 81933 (December 29, 2011)), the Board adopted largely as proposed the reporting requirements for SLHCs. The Reporting Release requires most SLHCs to use the FR Y series reporting framework presently in use by bank holding companies under the Board's supervision. Recognizing that the FR Y series is not appropriate for many SLHCs, and particularly Grandfathered SLHCs, the Reporting Release created categories of SLHCs initially exempt from reporting on the FR Y series.<sup>1</sup> The Reporting Release noted that exempt SLHCs would continue to report on Schedule HC to the Thrift Financial Report.

On November 10, 2011, the Board issued the proposed Form 2320 (the "Form 2320") which is intended to replace Schedule HC to the Thrift Financial Report. As the Board noted, the federal banking agencies have eliminated the Thrift Financial Report following the December 31, 2011 reporting period. Form 2320 is identical to Schedule HC.

## Discussion

IAA, IAHC and CLIC each believes it will qualify as an exempt SLHC under the framework outlined in the Reporting Release and thus will be eligible to provide quarterly reports on Form 2320. IAA appreciates the Board's decision to leave the substantive reporting requirements of Schedule HC in place for those institutions exempted under the Reporting Release. However, we write to express certain potential concerns we have with the reporting requirements of Form 2320.

In our review of Form 2320 and the accompanying instructions, we note that the Board appears to contemplate a Form 2320 filing only by the top-level holding company, subject to narrow exceptions. Specifically, the release accompanying Form 2320 states that the proposed report would be filed by top-tier SLHCs except "in situations where the top-tier SLHC is not the direct owner of the thrift or does not control the thrift . . . ." It is possible that under this language in the release, CLIC would be the appropriate Form 2320 filer (IAA is only the indirect corporate parent and does not directly control the Bank). If this is the case, then we recommend that the instructions to Form 2320 provide clearly the circumstances under which a top-level SLHC will be exempt from reporting.

---

<sup>1</sup> The Reporting Release exempts SLHCs which fall into one of the following two categories: (i) Grandfathered SLHCs whose thrift subsidiary has assets making up less than 5% of the total consolidated assets of the SLHC on an enterprise-wide basis (where on an enterprise-wide basis more than 50% of the assets of the Grandfathered SLHC are derived from activities not otherwise permissible under HOLA); or (ii) SLHCs which derive on an enterprise-wide basis more than 50% of their assets from the business of insurance (and which are not publicly reporting institutions).

If, however, IAA, the top-level SLHC, will be the reporting entity, we recommend that the Board adopt the more flexible approach taken in the instructions to Schedule HC. The Schedule HC instructions provide that if a thrift is owned by more than one holding company, the Office of Thrift Supervision (the "OTS") has the option to inform the holding company group as to which particular holding company is required to report on Schedule HC. Consistent with these instructions, the OTS previously designated CLIC as the entity required to file Schedule HC and permitted this filing to be on a non-consolidated basis with IAA, IAHC and other affiliated entities.

As we expressed in our comment letter to the proposed version of the Reporting Release, IAA is the top level holding company for multiple subsidiaries engaged in a variety of businesses and activities. In general, these subsidiaries prepare financial reports without utilizing generally accepted accounting principles ("GAAP"). This is consistent with both historical practice and the regulatory requirement that CLIC, a state regulated insurance company, prepare its financial statements in accordance with statutory accounting principles ("SAP"). Were IAA required to file Form 2320, it would be required to do so in accordance with GAAP, which, at present, is beyond the capabilities of its financial reporting infrastructure.

IAA, therefore, recommends that the Board adopt the approach taken by the OTS and permit in certain circumstances a lower level SLHC to file the Form 2320 quarterly report. At present, CLIC has been designated as the Schedule HC reporting entity among IAA and its affiliates and provides its financials to the Illinois Department of Insurance on a SAP basis. Based on the draft instructions to Form 2320, it appears CLIC would be permitted to continue to report in accordance with SAP.

This approach would allow IAA (and similarly situated SLHC structures) to avoid the significant expense necessary to convert IAA reporting infrastructure on an overly aggressive timeframe (and, in any case, not in time for the March 31, 2012 reporting period). Moreover, given the fact that this approach is consistent with the past regulatory actions of the OTS and would apply to only a small subset of SLHCs (i.e., those SLHCs exempted in the Reporting Release), such an approach would not impair the Board's ability to effectively monitor the safe and sound operations of these institutions.

\*\*\*\*\*

Board of Governors of the Federal Reserve System  
January 9, 2012  
Page 4

**Conclusion**

We appreciate the Board's efforts in working with SLHCs to adopt effective regulations to ensure the safe and sound operations of federal thrifts and their holding companies and we appreciate the opportunity to comment on Form 2320.

Sincerely,



David A. Magers  
Chief Financial Officer  
COUNTRY Life Insurance Company

cc: Shagufta Ahmed  
Desk Officer  
Office of Information and Regulatory Affairs  
Office of Management and Budget

Virginia Eves, Esq.  
Assistant General Counsel  
Office of the General Counsel  
Illinois Agricultural Association and Affiliated Companies

Michael K. Renetzky, Esq.  
Locke Lord LLP