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

Re: Comment on Notice of Intent To Require Reporting Forms for Savings  
and Loan Holding Companies

Dear Ms. Johnson:

General Electric Company (“GE”) appreciates the work of the Board of Governors of the Federal Reserve System (the “Board”) and the other federal agencies to implement the provisions of the Dodd-Frank Act (“DFA”) and the opportunity to comment on the Board’s Notice of Intent To Require Reporting Forms for Savings and Loan Holding Companies (the “Proposal”).

The recent financial crisis underscored the importance of effective and improved financial supervision and elimination of regulatory gaps. As an organization subject to regulation by the Office of Thrift Supervision (“OTS”), the Federal Deposit Insurance Corporation (“FDIC”), the Utah Department of Financial Institutions (the “DFI”), the New York State Banking Department (“NYSBD”) and other foreign regulators and soon to be subject to Board supervision, GE and its affiliates will continue to work closely with their federal and state supervisors to implement the rules, standards and practices advancing these important purposes.

This Proposal underscores the importance of this communication and coordination as the Board undertakes its new responsibilities with respect to a diverse group of institutions. While we understand the desire to ultimately harmonize reporting requirements of all financial firms supervised by the Board, the impact of this Proposal would be significant for GE, and we have specific concerns with respect to both its timing and the application of certain requirements. While we focus on GE specific concerns, we believe that they are applicable for other institutions.

GE is a large and successful diversified industrial and financial services company. The financial arm of GE is General Electric Capital Corporation (GE Capital). GE and GE Capital (as well as two intermediate holding companies) are each a Savings and Loan Holding Company (“SLHC”) by virtue of their control of GE Money Bank, a federal savings bank (“FSB”).<sup>1</sup> As a SLHC grandfathered under the Gramm-Leach-Bliley Act (“Unitary SLHC”), neither GE nor GE Capital is subject to the activities restrictions which apply to bank holding companies and SLHCs which are not grandfathered.

### **Applicability of Bank Holding Company (“BHC”) Reporting to SLHCs**

As a threshold matter, GE requests that the Board reconsider issuance of the Proposal at this time. GE does not believe the Proposal is necessary for the performance of the SLHC functions that have been transferred to the Board under the DFA. As part of the transfer, the DFA did not change the Home Owners’ Loan Act (“HOLA”) in any manner in this area and, in particular, did not mandate changes in SLHC reporting requirements. Given the very significant burdens that are statutorily imposed on institutions under the DFA, the Board should only add to those burdens where it is manifestly necessary.

The concept of having uniform reports for all depository holding companies initially seems understandable. This uniformity, however, does not take into account the diversity of activities, operations and organizational structures authorized for SLHCs under the HOLA. This SLHC diversity is unique and creates the need for flexibility in the reporting methods of SLHCs.

SLHCs differ from BHCs in another respect. By electing BHC status, BHCs agree to conform their activities to a common set of financial and certain other minor activities. This has enabled the Board and BHCs to design and implement systems to report on their common activities and operations in the particular manner mandated by the Reports. This is not the case for SLHCs, as many of them are not subject to any kind of activities restrictions.

The Board has asked whether the planned information collection is necessary for the proper performance of the Board’s functions and whether the information has practical utility. As we have indicated above and described in further detail below, we think these are important questions that deserve careful thought. We believe that the transition of the diverse population of SLHCs and supervised nonbank financial companies provides an opportunity for the Board to properly assess its needs. Accordingly, the Board should defer imposition of new SLHC reporting requirements at this time.

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<sup>1</sup> The two intermediate holding companies are: GE Consumer Finance Inc., a wholly-owned subsidiary of GE Capital and the direct parent of GE Capital’s US depository institutions, and General Electric Capital Services, Inc., a wholly-owned subsidiary of GE and the direct parent of GE Capital.

### **Pending IHC Status**

The DFA recognized that financial regulation should not extend to non-financial or commercial activities. To that end, Section 626 of the DFA provides the Board the authority to require a Unitary SLHC with non-financial activities to establish an intermediate holding company (“IHC”) which would conduct all or a portion of the firm’s financial activities, when necessary “to insure that supervision by the Board does not extend to the activities of such company that are not financial activities.” Once an IHC is established, Section 604 of the DFA provides that its parent or parents cease to be a SLHC and are no longer subject to SLHC regulation, including SLHC reporting requirements. We expect that the Board will exercise that authority with respect to GE given that DFA is clear in Section 626 and elsewhere that non-financial activities should not be within the scope of the Board’s supervision; however, the timing of such a decision is uncertain as is the level in the organization at which the IHC will be established. Given, this, the Board may wish to consider deferring consideration of the Proposal, one that is not mandated by DFA, for a period of six months to provide greater certainty and to permit the Board to become familiar with a new and diverse group of institutions. Additionally, this delay will permit other regulatory changes mandated by DFA to occur, and their impact on reporting to be assessed.

### **Specific Comments**

In the following paragraphs, we highlight our concerns and identify those aspects of the proposal which we believe to be most problematic. Specifically:

- We believe that the Board should recognize the requirement for the establishment of an IHC by a commercial firm like GE as a first necessary step. The planning and execution necessary to implement a new regulatory reporting infrastructure for the types of reports proposed cannot fully commence until it is determined at which level in a firm reporting requirements will attach. It is in the best interest of both the Board and GE and other SHLCs for uncertainties associated with the timing and level of the IHC designation to be resolved prior to setting a timeline for reporting as indicated in the Proposal. We believe that the Board should provide sufficient time and flexibility for SLHCs to implement new reporting requirements in an orderly, efficient and effective manner. This will benefit both the Board and affected institutions.
- We believe that the Board should also recognize that certain reports related to legal entity level reporting, notably the FRY-10 and FRY-12, are specifically associated with permissible activity requirements under the Bank Holding Company Act (“BHCA”) that are not pertinent for a Unitary SLHC and as such would not be useful to the Board or achieve their intended purpose.
- We believe that the Board should consider providing ongoing flexibility to institutions which report on a different calendar basis when there is sufficient reason for continuing existing practice, significant cost to alter existing systems, and there is no degradation in the quality of information provided the Board.

**I. Any New SLHC Reporting Requirements Must Provide for IHC Designation Under Title VI of DFA.**

Since the Board is virtually certain to require some existing Unitary SLHCs to reorganize into an IHC structure, the Board should not impose a new reporting regime on the entire existing SLHC structure. This makes sense because the corporate parent of the IHC would cease to be a SLHC pursuant to Section 604(i) of the DFA. Therefore, the SLHC reporting requirements (in whatever form eventually adopted) would be inappropriate to these corporate parents.

For this reason, the applicability of the Proposal should be tabled for Unitary SLHCs until a Board determination is made concerning the creation of an IHC. Until such a designation is made, the Unitary SLHC will not know what its legal entity structure will be. This will compound the burden associated with preparation for the new reporting regime. For some companies, there are multiple potential outcomes under this regime and significant corporate restructuring could be required under the DFA.

**II. New Reporting Requirements Should Provide Appropriate Time to Implement and Sufficient Flexibility.**

As suggested above, the Board should recognize that for some institutions, depending on size and complexity, it will be extremely difficult and perhaps impossible to implement a new and effective regulatory reporting infrastructure and process to produce timely, accurate and complete filings in connection with all of the information in each of the Reports by March 31, 2012. When proposed, the final reporting requirements should recognize the complexity and difficulty of the implementation and conversion from the prior regulatory reporting regime under the OTS and provide sufficient flexibility and time to assure the creation of effective and reliable reporting systems in a manner that is practical and orderly.

For GE and similarly affected SLHCs, this includes:

- Establishing a comprehensive project management structure to manage the initiative for any affected IHC and its businesses, processes, and operations. This will include gaining a better understanding of new reporting requirements, identifying affected business and/or support service areas, and developing an implementation plan.
- Identifying appropriate resource needs, hiring experienced staff, and training internally identified team members. The environment for hiring experienced staff is challenged due to current marketplace demand for qualified regulatory reporting professionals due to changes as a result of DFA and a number of newly regulated institutions. In addition, training of internal staff or external resources would typically require a number of fiscal quarters of production to gain the full understanding of various, unique financial processes, tools, and methodology, as well as to become familiar with report preparation instructions.
- Performing a comprehensive gap assessment of current availability of the required data versus each report form. For each proposed report, an institution would need to perform

a detailed review of reporting requirements against internal financial, risk, and legal entity data capabilities in order to determine data elements that are not readily available. This would also include analysis of various data sources, including general ledger and key sub-ledger systems, as well as various business and country/region-specific sources. Every gap would need to be prioritized based on materiality, risk, and complexity of the remediation efforts.

- Establishing a sustainable data collection process across all affected reports and business areas. Establishing a data collection process would entail an assessment of the current system capabilities, design and development of automated and manual data collection templates and design and development of aggregation tools. In addition to the development of the data collection infrastructure, affected businesses and employees would need to be trained on such tools.
- Performing data validation with the proposed reporting processes. Data validation would entail developing routines and procedures to analyze the results of the data collection and verify accuracy. This would also include a confirmation of key assumptions made during data availability assessment and subsequent mapping of the source data to the reporting line items.
- Building out systems capabilities for automation of reports and implementation of external data exchanges. This framework must include exchanges, for example, in GE's case, with the GE parent as well as between any IHC and its relevant entities and the Federal Reserve Bank of New York and internally between a global network of business, operations, and financial professionals. Further, in order to sustain the proposed reporting requirements going forward, we would need to implement internal reporting tools or external vendor solutions that will provide direct mapping of data sources to the regulatory reports.
- Establishing and integrating reporting process to non-consolidated entities. Non-consolidated entities are tracked for internal purposes currently, but new tools and expertise would be required to conform to the new reporting requirements for these entities.

In addition, to address individual circumstances, the Proposal should provide that the Board may exercise discretion to provide relief and to make other modifications to the reporting requirements. Such relief or modifications could include one or more of the following: (1) that organizations initially be permitted to make confidential, private filings on a best efforts basis; (2) requirements to file particular reports be phased-in with certain reports not required to be filed until after the initial reporting period; and (3) that specific report requirements not be made applicable to all subsidiaries simultaneously.

With respect to the last discretionary relief item, the Board could implement specific report requirements on a tiered legal entity basis. For example, the Board might initially require that only functionally regulated nonbank financial entities and significant operating entities file reports such as the FR Y-10, FR Y-11 or FR 2314. The Board could, if necessary, phase-in

reporting by other entities on a case by case basis based on all of the facts and circumstances of a particular SLHC.

**III. Certain Reports Require Unnecessary Information Which is not Pertinent to SLHCs and would be Burdensome.**

The Board should not impose reporting requirements on SLHCs that are based on legal percentage thresholds or activity requirements that are applicable to BHCs under the BHC Act but are not applicable to certain SLHCs. Reports such as the FR Y-10 require that activities be categorized under activity codes that correspond to categories of legally permissible activities for BHCs. Similarly, the FR Y-12 was designed for financial holding companies making merchant banking investments under section 4(k) of the BHCA. These activity restrictions are not relevant for Unitary SLHCs. If the Board does choose to retain these reports, the Board should permit initial filing of reports for significant operating and regulated entities with further consideration given to the need for these filings for other entities.

Further, Schedule K (Average Total Assets) and Schedule HC-R (Regulatory Capital) of the FRY-9C, which are utilized to demonstrate compliance with consolidated regulatory capital standards, should await new rulemaking for SLHC capital requirements and perhaps the implementation of other DFA capital provisions. In that regard, these schedules would require detailed disclosure of each component and sub-component of the regulatory capital calculations and should coincide with rulemaking that will accommodate grandfathering and transition arrangements.

**IV. Modified Calendar Close.**

GE and all its business segments currently use a modified calendar close for SEC and bank reporting purposes – that is, a calendar basis for annual reporting purposes and a fiscal basis for quarterly interim periods. Under the Proposal, GE or GE Capital (as an IHC) would not be permitted to continue to use this method for the Reports in that the Board would require data be provided as of the last calendar day of the quarter.

We base our fiscal calendar for each of the first three quarters on a full thirteen week convention. The first quarter covers thirteen weeks plus any partial week at the beginning of the year. Our fourth quarter of each year always ends on December 31. For example, our first quarter 2011 fiscal close date is Sunday, April 3, which adds only one business day over the conventional calendar close. Conversely, our third quarter fiscal period is one day less than a traditional calendar period. Our second and fourth quarter fiscal periods have the same number of business days as the conventional calendar quarter.

As a multinational enterprise with industrial and financial services operations around the globe, GE's reporting infrastructure is understandably highly complex. We believe it would not be a prudent action by the Board to impose such a change which would add significant costs and complexity to our financial reporting infrastructure but will not provide meaningful benefit to the

Board. Allowing GE to maintain its modified calendar close would not jeopardize, in any way, reporting comparability between enterprises.

If the reporting requirements were to apply only to GE Capital, we believe it would not be prudent to impose the strict interim calendar convention to GE Capital, since to do so would be to indirectly impose a change to GE's SEC reporting calendar. Specifically, it would make no sense for GE Capital to have two different interim quarterly reporting dates – one for bank regulatory reporting purposes and one for SEC reporting. This would impose an additional burden of needing to constantly reconcile any differences between the two reporting systems. Other burdens that would be incurred would include complications of underlying processes that cannot easily accommodate a change in closing day on a quarterly basis. Entire new and separate systems would need to be built.

GE does not believe that the modified calendar close reporting method creates any risk to GE or GE Capital as SLHCs or could affect their safe and sound operations. Nor is there basis for believing that requiring an IHC, presumably GE Capital, to alter its existing reporting is beneficial.

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Again, GE appreciates the opportunity to comment on the Proposal and look forward to working closely with the Board to develop a reporting regime and a timetable for implementation that is consistent with the Board's needs, appropriate for a diverse set of institutions and permits an implementation that is orderly and rigorous. Please contact David Nason at 203-840-6305 if we can provide any additional information or assistance.

Respectfully,



Brackett B. Denniston III