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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
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Re: ***Proposed Agency Information Collection Activities; Comment Request***
76 Fed. Reg. 53129 (August 25, 2011)—FR. Doc. 2011-21736

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 information collection framework, 76 Fed. Reg. 53129 (August 25, 2011) (the "Proposal") for savings and loan holding companies ("SLHCs"). We welcome the opportunity to comment on the Proposal and we appreciate the Board's recognition of the unique circumstances facing federal savings banks and their holding companies. However, for the reasons discussed below, we believe that the reporting framework outlined in the Proposal would impose undue burdens on certain institutions, including the Bank and its holding companies.

Background

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").

The Bank maintains total assets of less than $30 million compared to asset valuations from the individual balance sheets of IAA and its subsidiaries which would accumulate to over $8 billion, in each case as of September 30, 2011. Though the Bank does

maintain a single deposit (an affiliate is the sole depositor), the business of the Bank is limited to the exercise of fiduciary powers.

Overview

As an initial matter, we echo certain concerns raised in a comment letter to an earlier proposal by the Board on this subject.[1] (Comment Letter of General Electric Company, April 11, 2011) ("GE Letter") As the GE Letter noted, the Dodd-Frank Act did not amend HOLA to alter the reporting requirements for SLHCs and did not mandate the changes outlined in the Proposal. We agree fully with the GE Letter's suggestion that in the absence of any statutory mandate, the Board should impose significant additional regulatory burdens only where necessary. Given (i) the alternative reporting frameworks currently available which we believe provides the Board with all relevant information for the Board to meet its supervisory obligations, (ii) the significant burdens the Proposal would impose on reporting institutions, and (iii) the other significant regulatory changes applicable to thrifts and their holding companies, we believe that the Board should not implement the Proposal at this time.

If implemented, the Proposal would require SLHCs (subject to certain exceptions discussed in this letter) to utilize the same reporting framework—the FR Y form series—as bank holding companies ("BHCs"). We recognize that the Board's objective in formulating the reporting requirements outlined in the Proposal was to create a single framework by which both BHCs and SLHCs could be evaluated. However, while some degree of consistency can certainly be obtained by requiring all depository holding companies to report on the same forms, we believe that, for certain categories of SLHCs, the Proposal's requirements may actually lessen the effectiveness of the information provided to the Board[2] and create significant costs and burdens for these institutions.

Indeed, as the Board recognized in the Proposal, not all of the FR Y series forms are suitable for all categories of SLHCs. Specifically, the Proposal would not require, initially at least and until further notified, (i) Grandfathered SLHCs whose assets are less than 5% of the total consolidated assets of the SLHC ("Exempt Grandfathered SLHCs"), or (ii) SLHC structures with an insurance company as the top-tier holding company ("Insurance SLHCs") that only prepares financial statements in accordance with statutory accounting principles ("SAP"), to file any FR Y series forms *except* FR Y-6.

In crafting these exemptions, the Board recognized that the unique characteristics of these institutions, including non-banking business activities and other accounting and regulatory features, meant that the burdens of imposing the new reporting requirements

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[1] 76 Fed. Reg. 7802 (February 8, 2011).

[2] In connection with the Board's earlier request for comment on this matter, a number of commenters noted that the FR Y series is not well-suited to gathering information on SLHCs, especially Grandfathered SLHCs and Insurance SLHCs. *See, e.g.*, Comment Letter of the National Association of Mutual Insurance Companies (April 8, 2011); Comment Letter of Hawaii Electric Industries, Inc. (April 8, 2011) While not restated in this letter, we support those comments.

far outweighed the regulatory benefits to the Board. Thus, the Board recognized that these institutions require different treatment from other types of depository holding companies (e.g., BHCs and more typical SLHCs that engage solely in banking activities).

While we agree with the Board's decision to exempt Exempt Grandfathered SLHCs and Insurance SLHCs, we believe that the exemptions created by the Proposal should be made permanent as modified in accordance with the recommendations set out below.

Recommendations

For the reasons outlined below, we recommend that the Proposal be modified as follows:

1. Extend the exemption for Insurance SLHCs to include those holding company structures which have an insurance company at *any* level and not just as the top-tier holding company.

2. Additionally, we recommend the reporting exemptions outlined in the Proposal be made permanent to cover all FR Y series forms, *including* FR Y-6, and that the reporting requirements currently applicable to all SLHCs (Thrift Financial Report, Schedule HC and OTS Form H-(b)11) be maintained in their entirety for Exempt Grandfathered SLHCs and Insurance SLHCs (including the expanded category of Insurance SLHCs).

In the event that the Board rejects these recommendations, then we recommend that the reporting exemptions for Exempt Grandfathered SLHCs and Insurance SLHCs made in the Proposal be implemented as drafted and made permanent.

Finally, if, as suggested in the Proposal, the Board eventually determines to apply all FR Y series reporting requirements to Exempt Grandfathered SLHCs and Insurance SLHCs, we recommend that the Board provide for a suitable transition period, such as three years, for these institutions to develop the necessary reporting systems.

Basis for Recommendations

Extend the exemption afforded to Insurance SLHCs to all SLHC structures with a SAP reporting insurance company at any level

Many Grandfathered SLHCs offer a variety of financial and insurance products to their customers and in these structures a holding company may own both the insurance company and the thrift (and potentially other business as well) under a top-tier holding company. This is the case with IAA.

The Board recognized in the Proposal the difficulties created by a reporting framework which would require a SLHC to provide both SAP financials to the applicable state

insurance regulator and financials prepared in accordance with generally accepted accounting principles ("GAAP") to the Board. For this reason, the Board created the exempt category of the Insurance SLHC (i.e., a SLHC with a top-tier insurance holding company). While we fully support the Board's recognition of this particular issue, we feel that the remedy must extend to those SLHCs which, like IAA, have an insurance company as an intermediate holding company. Under the Proposal, a SLHC in this category would be obligated to prepare both SAP financials and consolidated GAAP financials with its parent and subsidiaries, the exact burden the Board alleviated for Insurance SLHCs. We can identify no policy or administrative justification for making a distinction between an insurance company as a top-tier or intermediate holding company and we urge the Board to exempt the institutions in each of these holding company structures.

Extend the exemptions outlined in the Proposal to permit Exempt Grandfathered SLHCs and Insurance SLHCs to not report on FR Y-6

We do not believe that the BHC reporting framework is appropriate for certain categories of SLHCs, including both Exempt Grandfathered SLHCs and Insurance SLHCs. Requiring these types of SLHCs to report on the FR Y series fails to recognize the diverse business activities and financial reporting procedures which are specific to these institutions. While we appreciate that the Proposal contemplates exempting Exempt Grandfathered SLHCs and Insurance SLHCs from most FR Y series reporting requirements, we recommend that this exemption be extended to cover *all* FR Y series forms, including FR Y-6.

The FR Y series has been developed specifically to gather BHC information, enabling the Board to ensure the safety and soundness of these institutions. The various forms request information relating to the banking business and require, in the case of FR Y-6, the filing of consolidated, audited financial statements prepared in accordance with GAAP.[3] These requirements are entirely appropriate for BHCs (the activities of which are limited under federal law) and the many SLHCs which are more akin to BHCs. However, because of (i) the varied business activities conducted in the typical Grandfathered SLHC structure, and (ii) the common use of non-GAAP financial reporting by these institutions, we urge the Board to reconsider the requirement of the FR Y-6 form for Exempt Grandfathered and Insurance SLHCs.

Were the Board to adopt this recommendation (i.e., exempting Exempt Grandfathered SLHCs from the requirement to file *any* FR Y series form), we would suggest that the current reporting framework applicable to all SLHCs (Thrift Financial Report, Schedule HC and OTS Form H-(b)11) be left in place (with such changes as may be necessary in light of the migration from the Thrift Financial Report to the Call Report). It is our view that this reporting framework is sufficient to permit the Board to meet its supervisory obligations and would not create substantial additional obligations for these institutions.

[3] Assuming certain asset level thresholds are met.

In the event the Board rejects the recommendations set forth above, we recommend in the alternative that the Board adopt the Proposal on a permanent basis

While we believe that the exemptions contained in the Proposal have been drawn too narrowly, we appreciate the Board's recognition of the issues presented for all SLHCs, including Grandfathered SLHCs and SLHCs with intermediate-level insurance companies. If the Board determines that it will not extend the Proposal's exempt categories, we recommend that the exemptions be made permanent

We also appreciate—and fully agree with—the Board's recognition that rules of general applicability cannot anticipate and adequately address the varied circumstances and business practices of all SLHCs (especially Grandfathered SLHCs). Thus, we recommend that the Board undertake its proposed case-by-case review of individual SLHCs to determine the suitability for each of standardized Federal Reserve regulatory reports. *See* Proposal, 76 Fed. Reg. 53129, 53133.

The Proposal notes that in the future and after the Board has more familiarity with the regulation of Exempt Grandfathered SLHCs and Insurance SLHCs, it may apply the FR Y series reporting framework to these institutions. Though we do not believe the Board will find it necessary, we recommend that if the Board adopts this approach it do so only after a suitable transition period, such as three years. We believe a transition period of this length would give institutions sufficient time to develop the financial reporting systems necessary to comply with the requirements without creating undue additional burdens.

Implications for IAA

We believe that our comments on the Proposal have general applicability. However, the basis for these comments is the impact that the Proposal would have, if implemented in its current form, on IAA and its intermediate holding companies.

As noted above, IAA is a non-profit corporation which owns a number of diverse and successful businesses, including a variety of financial, insurance and agricultural activities. Like many Grandfathered SLHCs, IAA does not prepare GAAP financials. Moreover, for a variety of legacy and business reasons, IAA and its subsidiary thrift holding companies (IAHC and CLIC) use different accounting bases (including, in the case of CLIC, SAP) and have different fiscal years. This is also true across IAA's other business that are not depository holding companies.

Currently, and if the Proposal were adopted in its current form, IAA would be an Exempt Grandfathered SLHC. As discussed above, this means IAA would be exempt from all FR Y series reporting obligations *except* the obligation to file form FR Y-6 beginning with fiscal years ending on or after December 31, 2012. To provide the consolidated GAAP financials required by this form, IAA would be forced to completely restructure its financial reporting infrastructure across virtually all of its business lines and subsidiaries. Based on an earlier analysis of the estimated costs for converting certain insurance

subsidiaries to GAAP reporting, IAA estimates that this process would take at least one year to complete and cost well into the millions of dollars (not including the efforts of internal IAA employees and other on-going compliance costs).

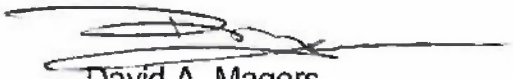
As noted above, the Bank's business activities are currently limited to the exercise of trust and other fiduciary powers. As such, neither the Bank nor its holding companies present the same risk profile as thrifts and thrift holding companies with significant depository or lending activities. Even so, if the Proposal were adopted, IAA would be subject to the significant costs we have outlined in this letter. In light of these costs, we reiterate the concerns of another commenter to the earlier proposal, which noted that "if the burden of reporting is too heavy, the diversity of financial support for certain depository institutions may diminish as the opportunity to participate in the financial marketplace may be outweighed by the cost of compliance." (Comment Letter of the American Bankers Association, April 11, 2011)

We do not believe that these burdens can be justified given the limited regulatory benefits for the Board and the existence of the SLHC reporting framework which is presently in place. We urge the Board to exempt both Exempt Grandfathered SLHCs and the broadened category of Insurance SLHCs from the obligation to report on *any* FR Y series report and to leave the SLHC reporting framework in place.

Conclusion

We appreciate the Board's efforts in working with SLHCs to adopt effective procedures to ensure the safe and sound operations of federal thrifts and their holding companies. We also appreciate this opportunity to comment on this Proposal and look forward to answering any questions that the Board may have regarding this matter. Please feel free to contact me at your convenience if I may be of any assistance to your efforts.

Sincerely,



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