



BOARD OF GOVERNORS  
OF THE  
**FEDERAL RESERVE SYSTEM**  
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 24, 2012

Mr. James A. Israel  
President  
John Deere Financial  
6400 NW 86th Street  
P.O. Box 6600  
Johnston, Iowa 50131

Dear Mr. Israel:

This is in response to your letter dated January 17, 2012, requesting that Deere & Company (“Deere”), Moline, Illinois, be granted exemptions from the Board’s regulatory reporting requirements for savings and loan holding companies (“SLHCs”).<sup>1</sup>

You have requested that the Board consider the majority of Deere’s assets to be derived from its commercial activities, thus qualifying Deere for the exemption in the December Notice. In your letter, you argue that although the majority of Deere’s assets are technically financial, many of those assets are derived from its commercial operations. In particular, you contend that the Board should consider Deere’s installment financing, leasing, floor plan financing, and trade receivables activities to be derived from its commercial operations. If the assets derived from those activities were considered commercial, Deere would qualify for the exemption from transitioning to the Board’s reports in the December Notice.

Deere, through John Deere Capital Corporation (“Deere Capital”), Reno, Nevada, provides significant financial services to its dealers and customers. Although those services are indirectly related to Deere’s

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<sup>1</sup> The Board has published a final notice describing the regulatory reporting requirements for SLHCs. *76 Federal Register* 81933 (December 29, 2011) (“December Notice”).

commercial products, the activity and the resulting assets are derived from the financial services provided and are permissible for a SLHC under the Home Owners' Loan Act. As a result, the majority of Deere's assets are financial and they do not qualify for the exemption in the December Notice.

Alternatively, you requested that Deere be granted either (1) a complete exemption from transitioning to the Board's regulatory reports or (2) a temporary exemption from complying with the Board's reporting requirements until the Board finalizes the intermediate holding company ("IHC") regulations for grandfathered unitary SLHCs and makes a final decision on Deere's IHC structure.

Based on all the facts of record, the Director of the Division of Banking Supervision and Regulation, acting pursuant to authority delegated by the Board, and after consulting with the General Counsel, has determined that it is appropriate to grant Deere a partial exemption from the Board's regulatory reporting requirements. In order to minimize the collection of information that is not meaningful in assessing the financial condition of a financial institution, Deere Capital will be considered the top-tier SLHC for regulatory reporting purposes until further notice. Deere Capital comprises approximately \$23 billion of Deere's \$48 billion of total consolidated assets. Deere's financial activities are principally conducted through Deere Capital. Unlike the assets at the top-tier parent, which are commercial in nature, the assets and activities of Deere Capital and its subsidiaries fit within the framework established in the Board's regulatory reports. The Board, however, reserves the right at its discretion to require regulatory reporting from Deere as the top-tier SLHC. In addition, the Board will continue to have the authority to request information during the supervisory process that is needed to effectively assess the impact of Deere's commercial operations on, and its ability to serve as a source of strength to, Deere Capital and its subsidiaries.

Additionally, Deere Capital will be exempted from filing the FR Y-9C/LP until the September 30, 2012, reporting period and may submit the reports at that time on a best-efforts basis. These reports will be granted confidential treatment.<sup>2</sup> Deere Capital is expected to be in full compliance

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<sup>2</sup> Deere Capital should submit all reports on a calendar-year basis if required in the reporting instructions. Certain reports, such as the FR 2320, H-(b)11, and the FR Y-6 can be submitted on a fiscal-year basis.

with the FR Y-9C/LP filing requirements for the reporting period ending on December 31, 2012. The reporting deadlines for other reports, including the H-(b)11 and the FR Y-6, will not change.<sup>3</sup> Deere should continue to submit the FR 2320 report during the temporary exemption period (i.e., for the March 31 and June 30, 2012, reporting periods).

A two-quarter delay in filing the FR Y-9C/LP should provide an appropriate amount of time to allow Deere Capital to rationalize data sources, design regulatory reporting tools, and establish a regulatory governance framework that will yield more reliable and stable regulatory reporting infrastructure with better quality data. Deere Capital also has been granted additional flexibility to provide best estimates for its first reporting period to assist with the transition. These terms are consistent with the regulatory reporting relief that the Board previously granted to investment banks and other companies transitioning to the Board's regulatory reporting requirements.<sup>4</sup>

Deere also requested that if the Board does not grant it a complete exemption from filing reports, any reports provided by Deere be granted confidential treatment under exemption 4 in the Freedom of Information Act ("exemption 4").<sup>5</sup> Additionally, Deere requests that any

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<sup>3</sup> As outlined in the December Notice, Deere Capital should submit its first FR Y-6 for year-end 2012. Deere Capital should submit other reports required under the notice, such as the FR Y-11 and FR Y-12 (nonbank subsidiaries and investments), FR Y-8 (affiliate transactions), and FR 2314 (foreign subsidiaries), beginning in 2013. The December Notice did not extend the FR Y-10 (organizational structure and activities) report to SLHCs but indicated that the Board would issue a separate notice on that form shortly.

<sup>4</sup> In 2009, the Board granted several investment banks and other companies that recently converted to bank holding company status exemptions from and permitted modifications to the Board's reporting requirements. See, e.g., Board letters dated February 5, 2009, to Colm Kelleher (Morgan Stanley) and to Sarah Smith (The Goldman Sachs Group, Inc.). In March 2012, the Board granted a SLHC a partial exemption from the Board's reporting requirements. Board letter dated March 30, 2012, to David Nason (General Electric Company).

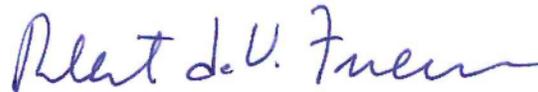
<sup>5</sup> 5 U.S.C. § 552(b)(4) (commercial or financial information).

disclosure of information contained in reports submitted to the Board be delayed 60 days in order to permit corresponding filings with the Securities and Exchange Commission.

In order to establish a basis for withholding information under exemption 4, Deere must establish that disclosure of the information would be reasonably likely to result in “substantial competitive harm.”<sup>6</sup> The Board customarily withholds best-efforts data as confidential under this standard and would do so for the FR Y9-C/LP reports submitted as of September 30, 2012. Deere, however, did not provide any factual details on which the Board could conclude that the release of any other reports would be reasonably likely to result in substantial competitive harm to Deere. Accordingly, no other reports will be accorded confidential treatment at this time.

If you have any question, please contact Catharine Lemieux, Executive Vice President at 312-322-4246, or Andre Reynolds, Assistant Vice President at (312) 322-6414, Federal Reserve Bank of Chicago.

Very truly yours,



Robert deV. Frierson  
Deputy Secretary of the Board

cc: Catharine Lemieux, Executive Vice President  
Andre Reynolds, Assistant Vice President  
Douglas Kasl, Vice President  
Craig Volk, Lead Examiner  
Federal Reserve Bank of Chicago

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<sup>6</sup> National Parks & Conservation Ass’n v. Kleppe, 547 F.2d 673, 677-78 (D.C. Cir. 1976).