



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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 24, 2012

Mr. Jeffrey T. Brown
Chief Financial Officer
and Senior Vice President
H&R Block, Inc.
One H&R Block Way
Kansas City, Missouri 64105

Dear Mr. Brown:

This is in response to your letter dated February 14, 2012, requesting that H&R Block, Inc. and Block Financial LLC, both of Kansas City, Missouri, and H&R Block Group, Inc., Nassau, The Bahamas (collectively, "HRB"), be granted an exemption from the Board's regulatory reporting requirements for savings and loan holding companies ("SLHCs"). Specifically, you requested that HRB be granted the same exemption from complying with the Board's reporting requirements that was granted to commercial grandfathered unitary SLHCs in the Board's final notice outlining the regulatory reporting requirements for SLHCs.¹

In the December Notice, the Board exempted certain SLHCs from transitioning to the Board's reports if (1) the SLHC is a grandfathered unitary SLHC, (2) its savings association subsidiaries' consolidated assets make up less than 5 percent of the total consolidated assets of the grandfathered unitary SLHC, and (3) more than 50 percent of the assets of the grandfathered unitary SLHC are derived from activities that are not otherwise permissible under the Home Owners' Loan Act. Your request acknowledges that HRB does not qualify for the exemption provided in the December Notice but argues that it should be exempted from the Board's regulatory reporting requirements because HRB would incur an unusually high compliance burden while providing little information useful to the Board. HRB also contends that tax preparation should be considered a commercial activity, that tax preparation services are not asset intensive, and that its subsidiary, H&R Block Bank, is a small part of HRB's overall business.

¹ 76 *Federal Register* 81933 (December 29, 2011) ("December Notice").

HRB's arguments for a complete exemption from transitioning to the Board's reports are not persuasive. HRB has not explained why it should be treated differently than other SLHCs and bank holding companies ("BHCs") that derive significant revenue from sources other than their subsidiary thrifts or banks. HRB's primary business operations include tax preparation and investment advisory and mortgage services. Relevant statutes and regulations consider these activities to be "closely related to banking" and are permissible for BHCs, as well as for SLHCs.² Additionally, the Board specifically addressed the issue of burden and compliance costs in the December Notice when it acknowledged those effects but concluded that the transition period granted was appropriate.

HRB has stated, however, that it cannot establish the necessary systems to meet the deadline for submitting the FR Y-9C/LP for the March 31, 2012, reporting period. As a result, 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 HRB a temporary exemption from the Board's regulatory reporting requirements.

HRB 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.³ HRB is expected to be in full compliance 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.⁴ HRB 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).

Board and Reserve Bank staff believe that a two-quarter delay is an appropriate amount of time to allow HRB to rationalize data sources, design regulatory

² 12 U.S.C. § 1843(c)(8); 12 U.S.C. § 1467a(c)(2)(F); and 12 CFR 225.28(b)(1) and (b)(6); 12 CFR 238.51(b)(6).

³ HRB 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.

⁴ As outlined in the December Notice, HRB should submit the first FR Y-6 for year-end 2012. HRB 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 report (organizational structure and activities) to SLHCs but indicated that the Board would issue a separate notice on that form shortly.

reporting tools, and establish a regulatory governance framework that will yield a more reliable and stable regulatory reporting infrastructure with better quality data. HRB has been granted additional flexibility to provide best estimates for the first reporting period to assist with the transition. These terms are consistent with the regulatory reporting relief that the Board has granted to investment banks and other companies transitioning to bank holding company status⁵ and to other SLHCs transitioning to Board regulatory reporting.⁶

If you have any questions, please contact Kevin Moore, Senior Vice President at 816-881-2559, or Todd Offenbacher, Vice President at (816) 881-2657, Federal Reserve Bank of Kansas City.

Very truly yours,

A handwritten signature in blue ink that reads "Robert deV. Frierson". The signature is written in a cursive, flowing style.

Robert deV. Frierson
Deputy Secretary of the Board

cc: Kevin Moore, Senior Vice President
Todd Offenbacher, Vice President
Federal Reserve Bank of Kansas City

⁵ 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.).

⁶ See, e.g., Board letter dated March 30, 2012, to David Nason (General Electric Company).