



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, DC 20551

May 10, 2017

Mr. Michael K. Renetzky
Locke Lord LLP
111 South Wacker Drive
Chicago, Illinois 60606

Dear Mr. Renetzky:

This is in response to the application by Illinois Agricultural Association (“IAA”), Illinois Agricultural Holding Co., and COUNTRY Life Insurance Company (together, “Applicants”), all of Bloomington, Illinois, to deregister as savings and loan holding companies (“SLHCs”) pursuant to section 604(i) of the Dodd-Frank Wall Street Reform and Consumer Protection Act¹ (“Dodd-Frank Act”) and the Board’s Regulation LL.² Applicants seek to deregister on the basis that their subsidiary federal savings bank, COUNTRY Trust Bank, FSB (“Thrift”), Bloomington, Illinois, qualifies as a trust-only company pursuant to section 2(c)(2)(D) of the Bank Holding Company Act.³

Background

Section 604(i) of the Dodd-Frank Act amended the Home Owners’ Loan Act⁴ (“HOLA”) to exclude from the definition of an SLHC a company with a subsidiary savings association that functions solely in a trust or fiduciary capacity as described in section 2(c)(2)(D).⁵ Under section 2(c)(2)(D), the term “bank” does not include an institution insured by the Federal Deposit Insurance Corporation (“FDIC”) that “functions solely in a trust or fiduciary capacity” if it meets all of the following criteria:

¹ Pub. L. 111-203 (2010).

² 12 CFR 238.4(d).

³ 12 U.S.C. § 1841(c)(2)(D).

⁴ 12 U.S.C. § 1461 *et seq.*

⁵ 12 U.S.C. § 1467a(a)(1)(D)(ii)(II).

- i. all or substantially all of the deposits of such institution are in trust funds and are received in a bona fide fiduciary capacity;
- ii. no deposits of such institution which are insured by the [FDIC] are offered or marketed by or through an affiliate of such institution;
- iii. such institution does not accept demand deposits or deposits that the depositor may withdraw by check or similar means for payment to third parties or others or make commercial loans; and
- iv. such institution does not –
 - I. obtain payment or payment related services from any Federal Reserve bank, including any service referred to in section 11A of the Federal Reserve Act; or
 - II. exercise discount or borrowing privileges pursuant to section 19(b)(7) of the Federal Reserve Act.⁶

An institution that meets these requirements may nevertheless not function in a trust-only capacity if it operates or appears to the public to operate together with another depository institution that does not meet the requirements of section 2(c)(2)(D). Before granting a request to deregister an institution pursuant to section 604(i) of the Dodd-Frank Act, the Board examines the relationship between the institution claiming to meet the requirements of section 2(c)(2)(D) and any other depository institutions with which it has material affiliations or relationships.

Thrift and other affiliates of Applicants that provide investment and insurance products operate under the trade name “COUNTRY Financial.” Applicants and the COUNTRY Financial companies maintain certain relationships and affiliations with the IAA Credit Union (“Credit Union”), Bloomington, Illinois, which serves the employees and customers of Thrift and the other COUNTRY Financial companies.⁷ Applicants and Thrift do not have any stock or ownership interest in Credit Union, and Thrift does not have any officers, directors, or employees in common with Credit Union. However, Applicants and Thrift have established limited business relationships with Credit Union.

⁶ 12 U.S.C. § 1841(c)(2)(D).

⁷ Membership in Credit Union is also available to members and employees of IAA; policyholders of Thrift’s insurance affiliates; customers of Growmark, Inc.; other small employee groups; and the family members and retirees of these groups.

Thrift leases its employees and receives administrative and operational services from CC Services, Inc. (“CC Services”), a wholly owned subsidiary of IAA. Credit Union also receives limited human resources administrative services from CC Services. CC Services maintains separate books and records for each entity, and separately provides its services in accordance with the risk-management and regulatory policies and procedures of each institution. The common back-office arrangements are not evident to the public. Credit Union leases its employees from IAA under a management services agreement which grants IAA authority to hire, terminate, and set compensation and benefits for Credit Union employees. No employee leased by Credit Union provides services to, or is leased by, Thrift. In addition, there are no management, director, or employee interlocks between Thrift and Credit Union.

Thrift and Credit Union operate in separate locations, do not share similar names, and generally do not market one another’s services to the public or their own customers. Exceptionally, Thrift purchases banner advertisements that sometimes appear on Credit Union’s website. Under commitments provided by Thrift, this arrangement would cease.

Credit Union maintains a webpage dedicated to COUNTRY Financial. This webpage and the websites that are linked on this webpage do not discuss Thrift specifically. There do not appear to be references to the services of Credit Union on the COUNTRY Financial website or in Thrift’s marketing materials, and the Credit Union website does not specifically discuss Thrift or its services. Credit Union uses the COUNTRY Financial trademark for branded credit cards and Thrift also uses this trademark for all of its marketing materials. Credit Union does not use this mark for other purposes, and Thrift and Credit Union do not otherwise use common or similar trademarks.⁸ Thrift and Credit Union share some customers, but Applicants and Thrift have committed not to take any action that will encourage Thrift’s customers to become customers of Credit Union.

Thrift currently holds eight certificates of deposit at Credit Union on behalf of its fiduciary clients. Thrift also has agreed to automatically receive funds in excess of certain thresholds from the HSA accounts of two customers held at Credit Union. This

⁸ Credit Union and IAA are parties to several trademark agreements permitting Credit Union to use the “COUNTRY” name, mark, logo and design, and the “What’s your idea of financial security” mark and slogan, both of which are used by Thrift and Thrift’s affiliates. Credit Union only uses these marks for certain branded credit card products. Credit Union also has the right to use certain other trademarks of IAA for branded credit cards offered by Credit Union. Thrift is not party to any of these agreements.

arrangement was made at the request of customers of Credit Union and has only been used once.

The Section 2(c)(2)(D) Factors

Thrift's charter, originally granted by the Office of Thrift Supervision, limits Thrift's activities to those permitted under section 5(n) of HOLA.⁹ Thrift's activities are substantially similar to the activities of the subsidiary savings associations of previous deregistration applicants and have been previously recognized by the Board as trust or fiduciary activities.¹⁰ The Board has reviewed available information to confirm that Thrift operates only in a trust or fiduciary capacity. Applicants and Thrift have also committed that Thrift will only engage in activities permissible under section 5(n) of HOLA.

Section 2(c)(2)(D) requires that "all or substantially all of the deposits of such institution are in trust funds and received in a bona fide fiduciary capacity."¹¹ The Board considers the "all or substantially all" requirement of section 2(c)(2)(D) to be met where 99 percent of all deposits are maintained in a trust or fiduciary capacity,¹² not taking into account the \$500,000 in non-trust deposits the savings association must hold in order to receive federal deposit insurance.¹³ Thrift meets this requirement: it conducts

⁹ 12 U.S.C. § 1464(n). Thrift provides trustee, executor, conservator, investment advice, agent, and custodial services. Thrift provides escrow services and holds separately managed investment accounts as agent. Thrift also acts as custodian for the proprietary mutual funds advised by Thrift. Credit Union engages in retail banking, bill payment, mortgage processing and selling, financial counseling and education, health savings account, and consumer loan activities.

¹⁰ State Street Boston Corporation, 81 Federal Reserve Bulletin 297 (1995); JP Morgan & Co., Inc., 73 Federal Reserve Bulletin 810, 812 and fn. 5 (1987).

¹¹ 12 U.S.C. § 1841(c)(2)(D)(i).

¹² See Board letter to Raymond J. Manista dated September 26, 2012. See also letter dated February 28, 1997, from Oliver I. Ireland, Associate General Counsel, to S. Alan Rosen, Esq., and letter dated May 15, 1996, from Oliver I. Ireland, Associate General Counsel, to L. Richard Fischer.

¹³ 12 CFR 303.14(a). In order to be chartered as a federal savings association under section 5 of HOLA, the Office of Thrift Supervision required that the savings association be FDIC-insured. 12 CFR 552.2-1(b)(3)(i). The Office of the Comptroller of the Currency ("OCC") has retained this deposit insurance requirement. 12 CFR 152.1(b)(3)(i).

its business exclusively through trust and fiduciary accounts maintained at third-party institutions and does not maintain any deposit accounts directly for its customers.

Based on a review of supervisory information, consultations with the OCC, and information provided by Applicants, the Board has confirmed that Applicants and Credit Union do not offer or market the deposits of Thrift that are insured by the FDIC. Thrift does not offer deposit accounts to its customers or make commercial loans. Thrift also does not obtain payment or related services from a Federal Reserve Bank or exercise discount or borrowing privileges with any Federal Reserve Bank. Thrift obtains and will continue to obtain these services and privileges from third-party institutions. Finally, Applicants and Thrift have committed to abide by each of the section 2(c)(2)(D) requirements on an ongoing basis.

Compliance with Section 2(c)(2)(D)

The limited affiliations and relationships between Applicants, Thrift, and Credit Union evidence a degree of interdependence among the institutions. Consideration has been given to whether these relationships are consistent with the limitations in section 2(c)(2)(D).

Thrift and Credit Union share only limited back-office services, and each entity leases its employees from different corporations in the IAA corporate structure. The back-office services shared by Thrift and Credit Union are on market terms and conducted in full compliance with each entity's policies and procedures, and separate books and records are maintained for Thrift and Credit Union. Thrift also does not have any management, director, or employee interlocks with Credit Union and has committed to prevent any such interlocks in the future. The two companies do not share any office space, advertise one another's products, or have similar names.

The business relationships between Thrift and Credit Union are limited. The eight certificates of deposit at Credit Union held by Thrift amount to less than 1.0 percent of Credit Union deposits. Thrift has committed that it will not renew these certificates when they expire or establish other deposit relationships with Credit Union, except as strictly necessary to (1) follow or comply with instructions given by a client concerning the client's self-directed account at Thrift, or (2) comply with Thrift's fiduciary obligations under applicable law. Similarly, Thrift has committed to discontinue the HSA account arrangement between Thrift and Credit Union and will not establish other similar arrangements.

Applicants and Thrift have also provided a number of commitments to prevent Thrift and Credit Union from operating or appearing to operate together. Among other commitments, Thrift and Applicants have agreed that (1) they will not take any

action with the primary purpose of inducing a customer of Thrift to become a customer of Credit Union, or a customer of Credit Union to become a customer of Thrift; (2) Thrift will not establish deposit accounts with Credit Union and will run off existing deposit accounts, including certificates of deposit, at Credit Union; (3) Thrift will not engage in any transactions with Credit Union without the Board's prior approval; (4) Thrift will discontinue making any financial contribution to Credit Union; (5) Thrift will not operate any of its activities in tandem with Credit Union's deposit-taking activities; and (6) Thrift will treat Credit Union as an affiliate for purposes of the anti-tying prohibitions in section 5(q) of HOLA and sections 23A and 23B of the Federal Reserve Act.¹⁴ These commitments will prevent Thrift and Credit Union from offering a full suite of retail banking products together, and will eliminate existing arrangements between Thrift and Credit Union.

Any change in the operations of, or relationships between, Thrift and Credit Union may result in a different finding regarding Thrift's compliance with section 2(c)(2)(D).

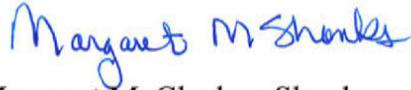
Conclusion

Based on the foregoing and all the facts of record, including the most recent call report and report of examination of Thrift and consultation with the OCC, the General Counsel and the Director of the Division of Supervision and Regulation, acting pursuant to authority delegated by the Board, have approved the application by Applicants to deregister as SLHCs. This action is taken in reliance on all the facts of record, including all the representations and commitments made to the Board in connection with the application. These representations and commitments constitute conditions imposed in writing in connection with the approval of Applicants' application to deregister as SLHCs and, as such, may be enforced in proceedings under applicable

¹⁴ 12 U.S.C. § 1464(q) (anti-tying prohibitions); 12 U.S.C. §§ 371c and 371c-1 (transactions with affiliates).

law. Any change in the representations or commitments may result in a different conclusion and should be reported to Board staff promptly.

Sincerely yours,



Margaret McCloskey Shanks
Deputy Secretary of the Board

cc: Office of the Comptroller of the Currency