

April 11, 2011

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street & Constitution Ave., NW
Washington, DC 20551

Re: Notice of Intent to Require Reporting Forms for Savings and Loan Holding Companies,
76 Fed. Reg. 7091-7094 (Feb. 8, 2011)

Dear Ms. Johnson:

The American Bankers Association (ABA) welcomes the opportunity to comment on the Board of Governors of the Federal Reserve System (Board) notice of intent to require savings and loan holding companies (SLHCs) to file the Board's Y Series of holding company reports beginning with the March 31, 2012 time period. ABA represents banks of all sizes and charters and is the voice for the nation's \$13.3 trillion banking industry and its 2 million employees. Institutions directly affected by the proposal are strongly represented in ABA's membership and actively participated in the development of this comment letter.

Under Title III of the Dodd-Frank Act (DFA), the holding company supervision authority of the OTS under the Home Owners Loan Act (HOLA) is transferred to the Board. While the Board anticipates issuing a formal notice of rulemaking in July after the DFA transfer date, the purpose of the Notice of Intent is to solicit input into anticipated difficulties with the change to Board reporting forms given the diversity of activities and holding company charters.

Need for More Time

As noted in other comment letters, the volume of change that savings associations and their holding companies face is enormous. In addition to new regulators, capital standards, risk measurements, examiners and new reporting requirements for the savings association (TFR to Call Report changes), the Board proposes to implement and require its full panoply of holding company reporting – a set of 9 possible reports dealing with domestic entities and 3 with international subsidiaries. It is a daunting prospect in the best of times and one that the Board itself has recognized as taking years particularly for the diversified SLHCs. But even for SLHCs with seemingly simple holding company structures, the identification of the required information, creation of processes to capture and report data, and the implementation of the quality controls needed to file meaningful and accurate information can be a multi-year process.

For this reason, the ABA respectfully requests that the Board extend the timeframe for compliance from March 31, 2012, to March 31, 2013. This action is not without precedence. The Board has, on a case-by-case basis, extended reporting deadlines and accepted “best efforts” filings for organizations new to its reporting requirements. The Board permitted temporary relief and acknowledged “the magnitude and complexity of the work that . . . must [be] performed to develop the reporting systems that comply with the regulatory reporting requirements for BHCs.” Board letters to David J. DeBrunner (GMAC LLC),

April 13 and February 17, 2009. For another entity, the Board granted relief recognizing that “much of the information that is required under the Board’s reporting framework has not previously been available, collected, or used for either internal or external reporting purposes ... and [the entity] has been concentrating on identifying appropriate sources of the required data and ensuring that adequate controls are in place to ensure its quality.” Board letter to Joan C. Amble (American Express Company), February 5, 2009. The Board has also allowed flexibility on year end reporting dates and permitted a staggered approach to filing Y 10 reports over an extended period of time. Board letter to Colm Kelleher (Morgan Stanley), February 5, 2009 and Board letter to Sarah Smith (The Goldman Sachs Group, Inc.), March 12, 2009.

While the Board has preferred a case-by-case, report-by-report approach to granting extensions or relief from reporting obligations, the volume of entities shifting to Board responsibility simply does not allow a case-by-case approach. More time, with opportunities for training, is necessary to produce quality information. At a minimum, a year is time well spent allowing the Board and its new holding companies to adjust to the new DFA regulatory structure and to each other. It will also allow the new reporting systems and procedures to be built with greater care and better compliance at both the savings association and holding company level. Production of quality data should be the goal in mandating reporting requirements.

Need for Flexibility

SLHCs come in all sizes with a variety of traditional and grandfathered activities. Some are fully diversified, grandfathered unitaries that may engage in international commerce. Others may have parents that are trusts, insurance companies, grocery stores, electric companies, or retailers. Not all top level SLHCs are regulated entities. For this reason, the ABA urges the Board to tailor its approach to gather the information it needs without gathering information that may be “nice to know.” 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.

Intermediate Holding Companies

One of the potential mechanisms for managing the magnitude of reporting is the intermediate holding company (IHC). Designating one of the holding companies in a diversified structure as an IHC may permit the SLHC to provide the in-depth reporting required by the Y Series without impacting as intensely the non-financial entities. The IHC potentially eliminates some of the more troubling compliance issues of valuation of nonfinancial assets for capital purposes, dealing with non-regulated affiliates or parents, and dealing with functional regulators on both the state and federal level. The ABA recognizes that there are other questions that the IHC may generate; however, use of the IHC structure may provide a useful approach to a group of SLHCs that defy easy application of BHC requirements. For this reason, the ABA encourages the Board to explore the use of the IHC as part of its reporting efforts.

Functional Regulation

For those SLHCs that have insurance company parents, there is the real concern that the requirements of the Board may contradict or compete with the requirements of the state insurance regulators. This is true in reporting. Many insurance companies use statutory accounting principles (SAP) as required by their state insurance regulators rather than GAAP. ABA urges the Board to consider and accept the requirements of the functional regulators and allow these SLHCs to continue to use SAP.

The Board has indicated that it will make use of the reports of the other financial regulators in its holding company efforts. The ABA supports the Board's approach and encourages the Board to explore in greater depth the use of SEC filings when those filings may provide meaningful data rather than mandating filings that may not provide useful supervisory data.

Other Specific Items

Because the Board requested specific comments on its reporting forms, ABA offers the following –

- Grandfathered activities. While the FR Y-10 may make sense for BHCs, it may be unnecessary for SLHCs given that their activities are grandfathered by a different statute. It is simply an apples and oranges situation derived from differing authority. One does not work for the other.
- Fiscal v. calendar year end. While the Board tries to collect data over comparable time periods, the achievement of this goal may be too difficult and costly in the near term. For public companies, coordination with SEC filing dates will ease compliance and allow greater consistency in the data collected. ABA encourages the Board to consider this action.
- Automatic confidential treatment. The Board often grants confidential treatment of certain reports. Rather than continue to make this an application or request, the ABA suggests that the Board consider providing a general rule of confidentiality to these reports for a period of time.
- Phase-in application of reports. ABA encourages the Board to consider a transition period for reporting that prioritizes the required reports as to most needed and those that can be done on a best efforts basis. For many, the full implementation of reporting is simply a task too large to achieve. Taking a more measured approach will increase compliance.

Conclusion

The proposed imposition and migration to the Board's Y series of reports is a daunting task that will take resources and time to implement correctly. The Board has the flexibility and discretion to use a longer timeframe than proposed and ABA respectfully urges the Board to lengthen the time from March 2012 for mandatory compliance to March 2013. As noted in other comments, the extra time will be valuable for everyone.

Sincerely,


C. Dawn Causey