



October 11, 2011

Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

Re: FR Y-10, Report of Changes in Organizational Structure and  
FR Y-6, Annual Report of Bank Holding Companies

Dear Ms. Johnson:

The Clearing House Association L.L.C. (“The Clearing House”),<sup>1</sup> an association of major commercial banks, appreciates the opportunity to comment on the proposed revisions of the Board of Governors of the Federal Reserve System (the “Board”) to a number of reports required to be filed with the Board by banking organizations (the “Proposal”).<sup>2</sup> In particular, the Board has proposed to change the Instructions and Forms of the Report of Changes in Organizational Structure (the “FR Y-10”) and the Annual Report of Bank Holding Companies (the “FR Y-6”, and together with the FR Y-10, the “Reports”). The Clearing House respectfully requests that our comments set forth below on the Proposal be considered before finalizing the revisions to the Reports.

The Clearing House supports the Federal Reserve System’s objective to ensure that the activities of financial institutions are conducted in a safe and sound manner by requiring financial institutions to provide data on organizational structure changes for companies included in the Reports. Specifically, The Clearing House:

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<sup>1</sup> Established in 1853, The Clearing House is the oldest banking association and payments company in the United States. It is owned by the world’s largest commercial banks, which collectively employ over 2 million people and hold more than half of all U.S. deposits. The Clearing House Association L.L.C. is a nonpartisan advocacy organization representing—through regulatory comment letters, amicus briefs and white papers—the interests of its owner banks on a variety of systemically important banking issues. Its affiliate, The Clearing House Payments Company L.L.C., provides payment, clearing, and settlement services to its member banks and other financial institutions, clearing almost \$2 trillion daily and representing nearly half of the automated-clearing-house, funds-transfer, and check-image payments made in the U.S. See The Clearing House’s web page at [www.theclearinghouse.org](http://www.theclearinghouse.org).

<sup>2</sup> 76 Fed. Reg. 49769 (August 11, 2011).

- *recommends* that changes to Item 1.a. (Event Types) on the 4(k) Schedule to the FR Y-10 (the “4(k) Schedule”) be limited to reporting that large merchant banking investment entities (“LMBIs”) either (i) are no longer reportable or (ii) have changed their name;
- *does not support* requiring that entities holding debts previously contracted (“DPCs”) be included in the FR Y-10; and
- *suggests* that the requirement to report the state and country of incorporation on the FR Y-6 should be (i) limited to entities that are reportable on the FR Y-10 and (ii) only required on a prospective basis.

## I. Comments on the FR Y-10

### A. Changes to Item 1.a. (Event Types) on the 4(k) Schedule should be limited to reporting that LMBIs either (i) are no longer reportable or (ii) have changed their name.

The Clearing House appreciates that the Board included in the Proposal the prior recommendation from our November 19, 2010 letter to the Federal Reserve Bank of New York to allow updating the 4(k) Schedule to report that a LMBI is no longer reportable or has had a name change. However, the Proposal’s revisions to the 4(k) Schedule also include reporting of changes to the ownership percentages of voting securities, total equity and assets in LMBIs. Changes in the percentage of voting securities often occur frequently, resulting in the information quickly becoming outdated and making the collection and maintenance of this detailed information onerous. Additionally, this information is not always known or readily available to the bank holding company (“BHC”), particularly when the LMBI in question is not a majority-owned subsidiary, since such an entity may not be legally obligated to provide such information to the BHC and may be unwilling to provide such information. Further, any information received from the LMBI may be incomplete and not easily verified from other sources. Therefore, The Clearing House believes that the final revision to this item should not include changes to the ownership percentages of voting securities, total equity and assets in LMBIs and should be limited to reporting that LMBIs either (i) are no longer reportable or (ii) have changed their name.

### B. Entities holding DPCs should be excluded from being reported on the FR Y-10.

The Proposal requires that an entity organized to hold Other Real Estate Owned (“OREO”) properties be reported on the Nonbanking Schedule. For example, according to the Proposal, “an OREO company that holds a mixture of foreclosed and defaulted (not yet foreclosed) properties should be reported” on the FR Y-10.<sup>3</sup> Although the Board states that the revised exemption is merely an instructional clarification,<sup>4</sup> The Clearing House believes that this

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<sup>3</sup> Proposed Instructions for Report of Changes in Organizational Structure (FR Y-10), page 15.

<sup>4</sup> 76 Fed. Reg. 49770 (August 11, 2011).

change effectively results in the elimination of the complete exemption for entities holding DPCs from FR Y-10 reporting that currently exists. While the Proposal with respect to the FR Y-10 would require this change if finalized, the Proposal with respect to the FR Y-6 continues to exempt entities engaged in holding DPCs from reporting.<sup>5</sup> Therefore, the proposed change to the FR Y-10 instructions would result in an inconsistency between the FR Y-10 and FR Y-6, which appears to be an unintended consequence of the Proposal.

Finally, The Clearing House believes that reporting the entities holding DPCs on the FR Y-10 would not provide enhanced information for the Board since, under the Proposal, the FR Y-10 would require a BHC to report only the number of entities organized to hold certain DPCs and not any other information, such as financial data.<sup>6</sup> We would be pleased to discuss the objectives that the Board wishes to achieve from the Proposal's requirement to report this information, and to work with the Board to perhaps develop an alternative regime to achieve those objectives in a more efficient manner. Accordingly, The Clearing House recommends that this proposed revision not be included in the final instructions to the FR Y-10. In the event that the Board determines that certain entities holding DPCs must be reported on the FR Y-10, The Clearing House respectfully requests that the Board require this information only for entities holding DPCs that are acquired after the effective date of the change in the FR Y-10 instructions.

## **II. Adding the state and country of incorporation on the FR Y-6 should be (i) limited to entities reportable on the FR Y-10 and (ii) required only on a prospective basis.**

The Proposal would revise the FR Y-10 and FR Y-6 by requiring the reporting of entities' state and country of incorporation. A reporting entity may have thousands of entities to be reported on the FR Y-6. Of these entities which must be reported, some are directly owned or managed by the BHC and therefore this information is readily available. For entities neither directly owned nor managed by the BHC, however, the BHC will not be able to obtain the necessary information on its own and will have to rely on external parties to provide such information. This information request from external parties would make it unlikely that reporting entities will be able to obtain the information in time for the December 31, 2011 report for all entities already included within a BHC's structure. For this reason, The Clearing

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<sup>5</sup> Proposed Instructions for FR Y-6, Page GEN-6, "***Companies not reportable on the FR Y-6 Organization Chart:*** (3) *Debts Previously Contracted:* Any nonbanking company acquired in full or in part to satisfy a debt previously contracted or that solely holds assets acquired in satisfaction of a debt previously contracted."

<sup>6</sup> We also note that while the Board may obtain financial information on a limited number of these entities that hold certain DPCs and are currently reportable on the FR Y-11, Financial Statements of U.S. Nonbank Subsidiaries of U.S. Bank Holding Companies (the "FR Y-11"), the FR Y-11 currently excludes many entities holding DPCs from any financial reporting, including most of our member banks' entities holding DPCs. FR Y-11, Financial Statements of U.S. Nonbank Subsidiaries of U.S. Bank Holding Companies, pages GEN-2 and GEN-3, provides exemptions for (i) any subsidiary of a bank or U.S. federally insured company that is a subsidiary of a BHC and (ii) any nonbank subsidiary with less than \$50 million in total assets, unless total assets of the nonbank subsidiary are greater than one percent of the consolidated top-tier organization's assets.

House requests that this item be (i) limited to entities reportable on the FR Y-10 and (ii) required only on a prospective basis. Notwithstanding our concerns, if the Board decides to require that this information be reported on a retrospective basis and that the entities would need to be reported on the FR Y-6, we recommend that the Board delay implementation until the December 31, 2012 FR Y-6 Reports to allow BHCs sufficient time to collect the information for all existing entities.

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We greatly appreciate your consideration of our comments and would welcome the opportunity to discuss them further with you at your convenience. If we can facilitate arranging for those discussions, or if you have any questions or need further information, please contact me at (212) 613-9883 (email: david.wagner@theclearinghouse.org) or Brett Waxman at (212) 612-9211 (email: brett.waxman@theclearinghouse.org).

Sincerely yours,



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