

BHC's entire operational loss data set submitted under the FR Y-14Q and eliminating the requirement of a detailed description item. The commenters felt that this alternative did not address their overall concerns. Another method suggested that the BHCs submit quarterly the frequency of events, aggregated by Basel level I event type, business line, and quarter of establishment; and a total BHC-wide aggregated legal reserve dollar amount. This level of aggregation would reduce the possibility that an outside observer could identify the existence and value of reserves related to any particular event. Commenters continued to express concern that the relationship between the yearly total reserve amount and an individual reserve might be inferred when a BHC reserved for a small number of events over a given year. However, the commenters also noted that this method appeared to be the most viable method of submitting legal reserve data that would allow the Federal Reserve to conduct its capital assessment and stress testing.

Based on the comments received and discussions with the industry, the Federal Reserve will revise the FR Y-14Q Operational Risk schedule to implement the latter method as described above. BHCs will report, on a quarterly basis, the number of legal reserves, categorized by quarter of establishment (starting in 2008), Basel level I event type, and business line.

As part of the proposal to revise the FR Y-14 as of September 30, 2012, the Federal Reserve proposed collecting various data items related to legal reserves on the FR Y-14A Summary schedule. One commenter requested that the Federal Reserve ensure that any other references to legal reserves be consistent with the decision reached on the FR Y-14Q Operational Risk schedule. Based on the concerns over data sensitivity expressed by the industry, the Federal Reserve will not implement the legal reserves data items specifically for litigation involving retail mortgage repurchases/claims on three worksheets in the Summary schedule: *Retail Repurchase*, *PPNR Projections*, and *Income Statement*. The Federal Reserve has previously used data on legal reserves related to repurchase litigation to adjust downward the supervisory mortgage repurchase loss projections, and anticipates that it may do so again. However, several BHCs commented that their repurchase litigation reserves were immaterial to their capital projections and the BHCs would prefer not to reveal them even if the Federal Reserve were not to use them to adjust the supervisory

projections. Accordingly, the Federal Reserve will establish a voluntary data item related to repurchase litigation reserves. The Federal Reserve will only adjust its supervisory mortgage repurchase loss projections if the BHCs provided that data in a new FR Y-14A Operational Risk schedule (described below).

#### *L. FR Y-14A New Operational Risk Schedule*

Based on the comments received related to legal reserves data and in an effort to streamline the collection of annual operational risk data, the Federal Reserve will implement a new FR Y-14A Operational Risk schedule. The schedule will contain two worksheets related to operational risk data submitted annually. The *Legal Reserves* worksheet will collect the mandatory "Legal Reserves" data item, and the voluntary data item, "Legal Reserves Pertaining to Repurchase Litigation."<sup>16</sup> In addition, the *OpRisk Historical Capital* worksheet (currently contained within the Summary schedule), which collects only historical data (not projection data as with the other worksheets contained within the Summary schedule) will be moved from the current FR Y-14A Summary schedule to the new Operational Risk schedule. As with the Summary schedule, only Basel II Mandatory or "Opt-In" BHCs will be required to complete the *OpRisk Historical Capital* worksheet in the new FR Y-14A Operational Risk schedule.

Board of Governors of the Federal Reserve System, September 28, 2012.

**Margaret McCloskey Shanks,**

*Associate Secretary of the Board.*

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## **FEDERAL RESERVE SYSTEM**

### **Change in Bank Control Notices; Acquisitions of Shares of a Bank or Bank Holding Company**

The notificants listed below have applied under the Change in Bank Control Act (12 U.S.C. 1817(j)) and § 225.41 of the Board's Regulation Y (12 CFR 225.41) to acquire shares of a bank or bank holding company. The factors that are considered in acting on the notices are set forth in paragraph 7 of the Act (12 U.S.C. 1817(j)(7)).

<sup>16</sup> In each firm's first submission of the FR Y-14A Operational Risk Schedule, it would be required to provide the historical data of the Legal Reserves data item annually as of September 30 of each year starting with 2008.

The notices are available for immediate inspection at the Federal Reserve Bank indicated. The notices also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing to the Reserve Bank indicated for that notice or to the offices of the Board of Governors. Comments must be received not later than October 19, 2012.

A. Federal Reserve Bank of St. Louis (Glenda Wilson, Community Affairs Officer) P.O. Box 442, St. Louis, Missouri 63166-2034:

1. *Michael Cripps and Helen Cripps*, both of Murphysboro, Illinois; to acquire voting shares of First of Murphysboro, Corp., and thereby indirectly acquire voting shares of The First Bank and Trust of Murphysboro, both in Murphysboro, Illinois.

Board of Governors of the Federal Reserve System, October 1, 2012.

**Michael J. Lewandowski,**

*Assistant Secretary of the Board.*

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## **FEDERAL RESERVE SYSTEM**

### **Formations of, Acquisitions by, and Mergers of Bank Holding Companies**

The companies listed in this notice have applied to the Board for approval, pursuant to the Bank Holding Company Act of 1956 (12 U.S.C. 1841 *et seq.*) (BHC Act), Regulation Y (12 CFR part 225), and all other applicable statutes and regulations to become a bank holding company and/or to acquire the assets or the ownership of, control of, or the power to vote shares of a bank or bank holding company and all of the banks and nonbanking companies owned by the bank holding company, including the companies listed below.

The applications listed below, as well as other related filings required by the Board, are available for immediate inspection at the Federal Reserve Bank indicated. The applications will also be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the standards enumerated in the BHC Act (12 U.S.C. 1842(c)). If the proposal also involves the acquisition of a nonbanking company, the review also includes whether the acquisition of the nonbanking company complies with the standards in section 4 of the BHC Act (12 U.S.C. 1843). Unless otherwise noted, nonbanking activities will be conducted throughout the United States.

Unless otherwise noted, comments regarding each of these applications