



April 25, 2017

Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

RSM US LLP
One South Wacker Drive
Suite 500
Chicago, IL 60606
www.rsmus.com

Re: File Number S7-02-17

RSM US LLP appreciates the opportunity to offer our comments on SEC Release No. 33-10321, *Request for Comment on Possible Changes to Industry Guide 3 (Statistical Disclosure by Bank Holding Companies)*. RSM US LLP is a registered public accounting firm serving middle-market issuers.

We support effective financial disclosures that better enable investors to make well-informed decisions about their investments. We therefore support the Commission's efforts to update Guide 3, especially considering the significant changes to the disclosure requirements of U.S. generally accepted accounting principles (GAAP) since the last substantive revisions to the Guide.

We understand that investors will provide their views to the Commission regarding the financial disclosures that are important to them. Our views expressed in this letter are based on our experience in working with registrant bank holding companies whose financial statements are required to be included in filings with the SEC.

Guide 3 disclosures that are duplicative of, or overlap with, U.S. GAAP or other regulations

In general, we have observed that many registrant bank holding companies expend significantly more effort in complying with their Commission reporting requirements as compared with registrants in other industries. For example, due to extensive required disclosures, the length of a Form 10-Q for a bank holding company often exceeds that of a Form 10-K for registrants in other industries.

Many of the disclosures required of registrant bank holding companies are duplicative or overlapping with current GAAP requirements. Since the last substantive revisions to Guide 3, several new accounting pronouncements have been issued that have added required financial statement disclosures by bank holding companies, such as those related to loan portfolios (section III) and summary of loan loss experience (section IV), among others. As a result, in several instances, the required Guide 3 disclosures are redundant with those required by GAAP.

We observe that such duplicative and overlapping disclosures can cause confusion for bank holding companies in complying with GAAP and the Guide 3 requirements, which often leads to the expenditure of additional resources by bank holding companies in providing compliant disclosure. Because duplicative and overlapping Guide 3 disclosures do not provide significant incremental information, we question whether the additional cost of providing such disclosures is warranted. We therefore support eliminating all Guide 3 disclosures that are duplicative of, or overlap with, current GAAP.

One area of particular concern is the Guide 3 requirements for tables reflecting information that is duplicative with the financial statements disclosures required by GAAP. For example, section IV.B. of the Guide requires a table disclosing, at the end of each reporting period, the allocation of the balance of the allowance for loan losses to each loan type. This disclosure is duplicative with the disclosure required by

current GAAP. Section IV.B. of the Guide also requires disclosure of the percentage of loans in each loan type category to the total loans, which is a confusing disclosure because the reader may expect the percentage disclosed to be the percentage of the total allowance for loan losses (i.e., not calculated as a percentage of the total loans), given the disclosure of the allowance for loan losses in the immediately preceding column. This percentage of the allowance for loan losses in each category to the total allowance for loan losses can be derived from current GAAP disclosures.

If additional Guide 3 disclosure requirements are contemplated, we believe consideration should be given to whether such disclosure already is mandated by other regulations. For example, we believe:

- The non-interest income disclosures contemplated by question 89 of the Release could be duplicative with the existing disclosure requirements of Regulation S-X Rule 9-04.13, which requires separate disclosure of certain other income items (e.g., commissions and fees from fiduciary activities, insurance commissions, and fees for other customer services) that exceed one percent of the aggregate of total interest income and other income.
- Likewise, the non-interest expense disclosures contemplated by question 89 could be duplicative with the existing disclosure requirements of Regulation S-X Rule 9-04.14, which requires separate disclosure of certain other expense items (e.g., salaries, net occupancy expense of premises, goodwill amortization) that exceed one percent of the aggregate of total interest income and other income.
- The disclosures contemplated in question 92 regarding the effects, when material, of new bank regulatory and capital requirements could be duplicative with the current general disclosures required by Regulation S-K, such as those in Item 101.

We believe the Guide 3 required disclosures of basic financial calculations (e.g., average balance sheets, yields and rates) that aren't otherwise required under other Commission rules or current GAAP are helpful to investors.

Size thresholds

The scaled disclosure requirements under Regulation S-X for smaller reporting companies and emerging growth companies appear to acknowledge that some of the information disclosed by large accelerated and accelerated filers may not be required for investors in smaller issuers. We therefore believe the Guide 3 reporting requirements should be reduced as appropriate to align with the scaled disclosure requirements for smaller reporting companies and emerging growth companies.

In addition, for Guide 3 disclosure requirements that are incremental to those of current GAAP, consideration should be given as to whether all of these incremental disclosures are meaningful to investors in smaller community banks. After hearing from investors, consideration could be given to requiring certain incremental disclosures only for banks with assets in excess of a certain threshold. For example, the following possible additional required disclosures could only be required for large banks, and could be optional for all other registrant bank holding companies:

- How bank holding company registrants present the effects of hedging of interest rate risk, as contemplated in question 10 of the Release
- Disclosures related to the Dodd-Frank Act Stress Test and its results, as contemplated by question 94 of the Release

Applicability of disclosure requirements to registrants other than bank holding companies

SEC Staff Accounting Bulletin Topic 11.K. notes that, while applying literally only to bank holding companies, Guide 3 provides useful guidance to certain other registrants, including savings and loan holding companies, on certain disclosures relevant to an understanding of the registrant's operations. Thus, to the extent particular guidance is relevant and material to the operations of an entity, the SEC staff believes the specified information, or comparable data, should be provided. For example, in accordance with Guide 3, bank holding companies disclose information about yields and costs of various assets and liabilities. Such companies also disclose risk elements, such as nonaccrual and past due items in the lending portfolio. The SEC staff believes this information and other relevant data would be material to a description of business of other registrants with material lending and deposit activities and accordingly, the specified information and/or comparable data (such as scheduled item disclosure for risk elements) should be provided.

Currently, within the Guide 3 instructions, it is not clear whether Guide 3 applies to registrants in the financial services industry, other than bank holding company registrants, that are engaged in similar lending and deposit activities, such as companies that invest in mortgage pools, etc. After hearing from investors, the Commission should provide clear guidance about the applicability of Guide 3 to non-bank holding company registrants with material lending and deposit activities. Consideration could be given to defining applicability of the Guide based on the nature of the registrant's operations, instead of the legal form of the entity. Such considerations could weigh whether the guidance is relevant and material to the operations of an entity using defined numerical thresholds, such as whether more than a certain percentage of a registrant's revenue is derived from interest or dividends.

Incorporation by reference or hyperlinking of Call Reports and other regulatory filings

We do not believe the *Report of Condition and Income* (Call Report) regulated banks are required to submit to the Federal Financial Institutions Examination Council or other regulatory filings should be incorporated by reference or hyperlinked in Commission filings as contemplated by question 98 of the Release. Call reports were developed to achieve regulatory objectives related to an individual institution and the banking system as a whole. These objectives may or may not align with the needs of an investor. In addition, as fintech and other unregulated financial services companies become more prevalent, we believe the disclosure requirements should be consistent and not dependent on the legal form of the entity. Further, if the Call Report is incorporated by reference in a registration statement filed with the Commission under the '33 Act, the Call Report could be required to be addressed in the audit firm's letter to the underwriter (commonly referred to as a "comfort letter"), which would cause the registrant to incur significant additional costs and could delay the registration process.

Specific disclosure requirements

Loan modifications – question 36 of the Release

We caution that if the Commission were to require disclosures of all loan modifications by type of modification and/or credit quality of the borrower, as contemplated in question 36 of the Release, bank holding company registrants would face many challenges in preparing and providing these disclosures because there are numerous loan modifications during a period, many of which occur in the ordinary course of business. We question whether such voluminous information would be valuable to investors.

Time deposit disclosures – question 58 of the Release

The threshold for financial statement disclosures required by GAAP for time deposits now follows the insured deposit limit. Therefore, consideration should be given to (a) whether the current GAAP

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disclosure is sufficient and (b) the elimination of the existing Guide 3 disclosure requirement for time deposits.

We would be pleased to respond to any questions the Commission or its staff may have about our comments. Please direct any questions to Mike Lundberg, National Director of Financial Institution Services, at [REDACTED].

Sincerely,

RSM US LLP

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