June 28, 2017

Mr. Brent J. Fields
Secretary
US Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

RE: File Number S7-02-17

Dear Mr. Fields:

We appreciate the opportunity to share our views and provide input on the Securities and Exchange Commission's ("Commission" or "SEC") *Request for Comment on Possible Changes to Industry Guide 3, Statistical Disclosures by Bank Holding Companies* ("Guide 3" or "Request for Comment"). We commend the SEC for undertaking this initiative to evaluate and improve the disclosures required by Guide 3.

Since the initial adoption of Guide 3 (1976) and subsequent revision (1986), the financial services industry has experienced distinct credit cycles, unprecedented growth, technological innovations, and increased regulatory oversight. While GAAP, IFRS, and other SEC disclosures have evolved to reflect the impact of some of these changes, Guide 3 has remained substantially unchanged. Therefore, we appreciate the Commission's efforts to solicit input regarding possible changes to Guide 3.

Our observations are generally limited to those informed by our experiences as external independent auditors. We have not addressed individual questions, but rather provide our views in the following broad categories:

- Investor outreach
- Application, scope, and framework
- Duplication between GAAP and SEC rules and regulations
- Regulatory disclosures
- Foreign registrants

<u>Investor outreach</u>

Our experience indicates that a number of entities will only respond to the Commission's request as part of their participation in a trade organization. Also, a number of entities may not comment on a request for input until a proposal is put forth. To ensure that the Commission has input from a full range of market participants, we encourage the Commission to continue its outreach directly to the investor community and others beyond the solicitation of response to this request. We believe this is an important step in continuing to improve the disclosure of useful information for the benefit of investors.

<u>Application, scope, and framework</u>

Guide 3 was originally intended to apply only to Bank Holding Companies (BHC). However, as indicated in Staff Accounting Bulletin Topic 11:K, *Application of Article 9 and Guide 3,* the SEC staff believes Guide 3 should be applied to any entity engaged in material lending and deposit activities. Based on our experience, the applicability of Guide 3 beyond BHCs is not always clear. Accordingly, we recommend that the Commission evaluate the criteria for determining the applicability of Guide 3 and provide clear direction regarding its scope, thereby enabling non-BHC registrants to clearly understand its applicability.

*PricewaterhouseCoopers LLP, 400 Campus Drive, Florham Park, NJ 07932*
*T: (973) 236 4000, F: (973) 236 5000*, www.pwc.com

We also note that Guide 3 instructions require up to five years of data for certain disclosures while financial statements and MD&A typically provide three years of income statement and two years of balance sheet data. We recommend that the Commission survey investors to understand their views as to the relevancy of the time periods that go beyond the financial statement periods in analyzing trends in lending and credit cycles.

Duplication between GAAP and SEC rules and regulations

Since the last update of Guide 3 in 1986, the financial services industry has adopted numerous accounting standards. Over time, this has created duplication among Guide 3 and disclosures required by GAAP or other SEC rules and regulations. As a result, we recommend the elimination of duplication. On this point, we agree with the areas of duplication highlighted in Appendices A and B of the comment letter submitted by the Center for Audit Quality on May 8, 2017. We encourage the Commission to undertake a periodic review of its disclosure requirements to identify redundancies, including those that arise from new accounting standards, in order to limit future instances of overlapping and duplicative disclosures.

We also note that there are certain Guide 3 requirements (such as disclosures of return on equity and assets or other ratios) that are not required by GAAP or Commission rules that may also be of value to investors and other users. We therefore encourage the Commission's continued focus on the disclosures that continue to add value.

Additionally, we encourage the Commission to conduct outreach with the accounting standard setters in order to leverage the information they learned in the development of recent accounting pronouncements. As part of its lengthy and rigorous process to enact a new GAAP standard, including disclosure requirements, the FASB solicits information from all key stakeholders, including financial statement preparers and users, regarding which disclosures are most beneficial. In considering changes to Guide 3, we recommend that the SEC consider the FASB's efforts to identify necessary disclosures, including those that were evaluated by the FASB but rejected during the standard setting process.

Regulatory disclosures

The Commission has solicited input on whether information presented in other regulatory submissions (e.g., Call Reports, stress tests, resolution plans) should be referenced in SEC filings (potentially to be incorporated by reference or hyper-linked). Regulatory submissions are intended to be used by regulators to monitor the safety and soundness of an institution, whereas SEC disclosures are intended to provide investors with useful information that will enable them to make informed investment and voting decisions.

We believe cross referencing would commingle other regulatory submissions and SEC filings, which could create potential confusion and unintended consequences for various stakeholders (banking regulators, the Commission, registrants, PCAOB, and auditors). For example, the information in regulatory filings for many BHCs and subsidiaries will differ from the information reported in SEC filings due to the BHC having multiple subsidiaries with multiple regulatory submissions. This could lead to additional required disclosures for BHCs and potential confusion for investors. As a result, we believe regulatory filings should continue to be separate from SEC filings and not referenced therein.

Foreign registrants

In some circumstances (e.g., when reporting under IFRS or local regulatory requirements), foreign registrants face unique challenges in preparing and presenting Guide 3 disclosures as IFRS or local reporting requirements may not have some of the same concepts as Guide 3. The Commission and its staff have granted foreign private issuers relief from some of the disclosure requirements (either by rule or accommodation) when consistent with investor protection. There have been some situations in which the staff has allowed foreign private issuers to provide information that is different from what a domestic issuer would provide under Guide 3 as long as it achieves the same objective as the Guide 3 requirements.

The vast majority of foreign private issuers that do not use US GAAP prepare their financial statements using IFRS. We encourage the staff to solicit feedback on the applicability and cost/benefit of Guide 3 disclosures for foreign private issuers that use IFRS to determine those areas that should be modified to eliminate unnecessary duplications.

* * * * *

We would be pleased to discuss our comments or answer any questions that the Commission may have. Please contact John May at [redacted], Wayne Carnall at [redacted], or Jonathan Manset at [redacted] regarding our submission.

Sincerely,

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP