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Secretary, Securities and Exchange Commission
File Number S7-02-17
100 F Street, NE
Washington, DC 20549-1090

Mail to: rule-comments@sec.gov

Secretary:

We appreciate the opportunity to comment on the potential changes to Industry Guide 3, *Statistical Disclosure by Bank Holding Companies* (Guide 3). We are a regional CPA firm with revenue of approximately $60 million. We provide audit services to a variety of entities, including 26 financial institutions, three of which are SEC registrants who would be affected by any such changes.

Overall, we are in support of reducing duplication between accounting standard requirements and Guide 3. We believe there are duplicative or overlapping disclosures that are now required by U.S. generally accepted accounting principles (U.S. GAAP).

In addition to our overall views on the changes proposed to Guide 3, we have selected specific questions posed in the request for comment to address as follows:

Section B. Investment Portfolio

Question 22: Do Commission rules or U.S. GAAP require the same or similar investment portfolio information as called for by Guide 3? If so, how is the information similar or dissimilar? Please provide a detailed comparison.

Guide 3 requires the disclosure of the book value of investments by specified category as of the end of each reported period while U.S. GAAP requires disclosures for available-for-sale (AFS) securities including 1) amortized cost basis, 2) aggregate fair value, 3) total other-than-temporary impairment (OTTI) recognized in net income, 4) total gains for securities with net gains in accumulated other comprehensive income (AOCI), 5) total losses for securities with net losses in AOCI, and 6) information about the contractual maturities as of the date of the most recent balance sheet presented. The specified categories required by Guide 3 include U.S. Treasury and other U.S. Government agencies and corporations; States of the U.S. and political subdivisions; and other securities including bonds, notes, debentures and stock of business corporations, foreign governments and political subdivisions, inter-governmental agencies and the Federal Reserve Bank. U.S. GAAP requires that major security type for AFS securities consider shared activity or business sector, vintage, geographic concentration, credit quality, and economic characteristics. As such, the Financial Accounting Standards Board's Accounting Standards Codification (ASC) defines the following nine security types that are required to be disclosed, which are more detailed than those required by Guide 3: equity securities, segregated by industry type, entity size, or investment objective; debt securities issued by the U.S. Treasury and other U.S. Government corporations and agencies; debt securities issued by states of the U.S. and political subdivisions of the states; debt securities issued by foreign governments; corporate debt securities; residential mortgage-backed securities; commercial mortgage-backed securities; collateralized debt obligations; and other debt obligations.

Guide 3 also requires a maturity analysis for each investment category as well as the weighted average yield for each range of maturities, which include securities due 1) within one year, 2) after one year through five years, 3) after 5 years through 10 years, and 4) after 10 years. U.S. GAAP requires the disclosure of the fair value and net carrying amount within the same range of maturities; however, it does not require the disclosure of weighted average yields. With the exception of Guide 3's requirement to disclose weighted average yield, we conclude that the remaining Guide 3 disclosures noted above are therefore duplicative of those disclosures required by U.S. GAAP and should be deleted. The weighted average yield disclosures are not necessary since the analysis of yields by balance sheet category required by Section I.B of Guide 3 provides adequate information on this point, given the fluid nature of the typical bank investment portfolio.

Section C. Loan Portfolio

Question 33: Do Commission rules or U.S. GAAP require the same or similar loan information as called for by Guide 3? If so, how is the information similar or dissimilar? Please provide a detailed comparison.

Guide 3 requires disclosure as of the end of each reported period of the amount of loans in each of the following domestic categories: 1) commercial, financial and agricultural; 2) real estate-construction; 3) real estate-mortgage; 4) installment loans to individuals; and 5) lease financing. The total reported should be the same as reported in the balance sheets. U.S. GAAP has a similar requirement to present loans by category; however, it does not specify the loan categories. U.S. GAAP does require that qualitative and quantitative credit quality information be provided for each class of financing receivable, except loans measured at fair value, under the fair value option, and loans held for sale. Given the level of information required to be disclosed by U.S. GAAP, the information required by Guide 3 in section III.A appears to be repetitive. One dissimilar disclosure is the requirement in section III.B in Guide 3 which calls for a maturity analysis for each loan category as of the end of the latest reported period.

Both section III.C1 of Guide 3 and U.S. GAAP require disclosure of nonaccrual, past due and restructured loans. These disclosures require, as of the end of each reporting period, the aggregate of loans in each of the following categories: 1) loans accounted for on a nonaccrual basis; 2) accruing loans which are contractually past due 90 days or more as to principal and interest payments, and 3) loans not included above which are "troubled debt restructuring". While U.S. GAAP calls for specific detail related to troubled debt restructurings, Guide 3 calls for only disclosure of the total balance of troubled debt restructured loans as of the end of the period.

Section III.C2 of Guide 3 requires the disclosure of the policy for placing loans on nonaccrual status. This policy disclosure is also required by U.S. GAAP and is therefore duplicative and should be deleted.

Both in the current environment and after the adoption of Accounting Standards Update (ASU) 2016-13, both Guide 3 and U.S. GAAP will require the disclosure of accounting policies related to placing financial receivables on nonaccrual status; recording payment received on nonaccrual financial receivables; resuming accrual of interest; and determining past due or delinquency status for each class of financial receivable. These Guide 3 disclosures are therefore duplicative.

Section D. Summary of Loan Loss Experience

Question 45: Do Commission rules or U.S. GAAP require the same or similar loan loss experience information as called for by Guide 3? If so, how is the information similar or dissimilar? Please provide a detailed comparison.

Section IV.A of Guide 3 requires a rollforward analysis of the allowance for loan losses, including the beginning and ending balances, charge-offs and recoveries by loan category and additions charged to operations, for a five-year period. U.S. GAAP requires the same analysis, but only for each period presented in the balance sheet, both before and after the adoption of ASU 2016-13. In addition to the requirement of the rollforward per section IV.A, Guide 3 also requires disclosure of the ratio of net charge-offs to average loans outstanding during the period. This disclosure is not a U.S. GAAP requirement.

Section IV.B of Guide 3 requires a breakdown of the allowance for loan losses by loan category along with the percentage of loans in each category. Registrants may, however, furnish a narrative discussion of the loan's portfolio's risk elements and the factors considered in determining the amount of the allowance in lieu of providing a breakdown. The requirement to furnish the percentage of loans in each category can be provided with the Guide 3 disclosure requirement of loans by category. We therefore conclude the Guide 3 disclosures, while somewhat duplicative, provide slightly more detail than that required by U.S. GAAP.

Section E. Deposits

Question 56: Do Commission rules or U.S. GAAP require the same or similar deposit information as called for by Guide 3? If so, how is the information similar or dissimilar? Please provide a detailed comparison.

Section V.D and V.E of Guide 3 calls for disclosures of the maturity of time deposits as well as disclosure of time deposits in excess of $100,000. The $100,000 threshold was established in 1976 when the Federal Deposit Insurance Corporation (FDIC) insurance limit was $40,000. U.S. GAAP requires disclosure of time deposits equal to or exceeding the FDIC insurance limit, which in March 2014 was increased to $250,000. As a result of this change registrants generally provide separate time deposit disclosures for Guide 3 and U.S. GAAP thresholds. The requirement to disclose time deposits equal to or exceeding the FDIC insurance limit should be sufficient information for investors and thus the Guide 3 requirement should be deleted.

Section G. Short-Term Borrowings

Question 75: Do Commission rules or U.S. GAAP require the same or similar short-term borrowing information as called for by Guide 3? If so, how is the information similar or dissimilar? Please provide a detailed comparison.

Section VII of Guide 3 requires disclosure of the following information for short-term borrowings: 1) period-end amount outstanding; 2) the average amount outstanding during the period; and 3) the maximum month-end amount outstanding. In addition, Section VII also calls for disclosure, by category of borrowing, of the weighted average interest rates at period-end and during the period, and the general terms of the borrowing. U.S. GAAP requires the disclosure of period-end balances of significant categories of borrowings. U.S. GAAP requires more specific disclosures for repurchase agreements, which makes the requirements in section VII of Guide 3 duplicative.

We appreciate the opportunity to submit these comments for your consideration and look forward to the SEC's consideration of feedback received and decisions regarding the next steps.

Sincerely,

Berry Dunn McNeil & Parker, LLC