KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Telephone +1 212 758 9700
Fax +1 212 758 9819
kpmg.com

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Office of the Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

File No. S7-02-17
Possible Changes to Industry Guide 3 (Statistical Disclosure by Bank Holding Companies)
Release No. 33-10321; 34-80131

Dear Office of the Secretary:

We appreciate the opportunity to respond to the Securities and Exchange Commission's (the "SEC") request for comment on Possible Changes to Industry Guide 3 (Statistical Disclosures by Bank Holding Companies) (the "Request for Comment"). KPMG LLP continues to support the ongoing efforts of the SEC staff to improve the public company disclosures provided to investors for purposes of making their investing and voting decisions.

We believe Industry Guide 3 should be modernized as it currently has numerous disclosure requirements that, over a thirty year period, have become outdated, duplicative and/or overlapping with other disclosure requirements that have been mandated by U.S. generally accepted accounting principles ("U.S. GAAP"), International Financial Reporting Standards ("IFRS") or other basis of accounting. Furthermore, we believe the compliance efforts of preparers and their auditors could be simplified by updating the disclosure requirements in Industry Guide 3.

We previously submitted responses to the SEC on certain matters as the SEC staff continue to perform their comprehensive evaluation of its rules as part of its *Disclosure Effectiveness Initiative* as follows:

- *Business and Financial Disclosure Required by Regulation S-K* (File No. S7-06-16)[1]
- *Disclosure Update and Simplification* (File No. S7-15-16)[2], and
- *Effectiveness of Financial Disclosures about Entities Other than the Registrant* (File No. S7-20-15)[3].

[1] KPMG's comments related to *Business and Financial Disclosure Required by Regulation S-K* (File No. S7-06-16) can be located at https://www.sec.gov/comments/s7-06-16/s70616-246.pdf
[2] KPMG's comments related to *Disclosure Update and Simplification* (File No. S7-15-16) can be located at https://www.sec.gov/comments/s7-15-16/s71516-26.pdf
[3] KPMG's comments related to *Effectiveness of Financial Disclosures about Entities Other than the Registrant* (File No. S7-20-15) can be located at https://www.sec.gov/comments/s7-20-15/s72015-36.pdf

Our responses to each of the SEC's requests above indicate KPMG's support for the SEC's initiatives to, on a timely basis, continually review its rules and regulations in assessing whether the financial information being provided to investors and users of the financial statements is useful and relevant while always considering the costs and benefits of providing the information.

Our observations in this letter focus on the topics included in the Request for Comment and are summarized as follows:

- ***Industry Guide 3 – Objectives and Purpose*** **-** We believe the SEC should incorporate clear objectives into all of its rules and regulations, including disclosures that the SEC determines should be made pursuant to any potential amendments to Industry Guide 3. In addition, and most importantly, we believe appropriate levels of investor and preparer outreach beyond this solicitation for feedback in the Request for Comments should be performed by the SEC so that any amendments to Industry Guide 3 include the views of those that are potentially most impacted – the investors and preparers of the financial statements. The outreach process may identify new key metrics and information relevant to investors in making investing and voting decisions.

- ***Disclosure Requirements - Considerations*** – We believe Industry Guide 3 should not require duplicative and/or incremental disclosures beyond the disclosures that are required under new and existing accounting standards in the financial statements but rather such disclosures in Industry Guide 3 might focus on information and metrics, which are useful for investors to understand any trends or forward looking information impacting future financial performance.

- ***Regulatory Filings – Incorporation Considerations*** – We believe regulatory filings (e.g., call reports and other regulatory filings) do not have the same objectives as the disclosures that are made in filings with the SEC. As such, to the extent the SEC believes there is information in regulatory filings that the SEC views as being necessary for disclosure in SEC filings to benefit investors in their investing and voting decisions, we believe that information should be considered for disclosure by the respective authoritative accounting standard setters such as the Financial Accounting Standards Board (the "FASB") or the International Accounting Standards Board (the "IASB"). To the extent that other information and metrics are included in regulatory filings, which the SEC believes could be useful to investors, and is not required to be disclosed by accounting standard setters, we believe it is important that a clear objective of the disclosure requirement under Industry Guide 3 be articulated.

- ***Foreign Private Issuers*** – We believe foreign private issuers may incur higher costs to comply with the disclosure requirements of Industry Guide 3, as foreign private issuers typically report using IFRS rather than U.S. GAAP, and the concepts in IFRS are not the same as U.S. GAAP. For example, there are required disclosures for troubled debt restructurings and loans on non-accrual status in U.S. GAAP but those concepts do not exist in IFRS. We believe providing clear objectives for each of the disclosure requirements that will exist in Industry Guide 3 will allow foreign private issuers to better provide the required information consistent with different financial reporting frameworks.

Industry Guide 3 – Objectives and its Purpose

Currently, Industry Guide 3 applies to bank holding companies. However, guidance provided by the SEC staff in Staff Accounting Bulletin Topic 11.K, *Application of Article 9 and Guide 3*, states that "such disclosures and other relevant information should also be provided by other registrants with material lending and deposit activities."

We believe that the modernization and updates to Industry Guide 3 should start with a clear, well defined objective – a more principles-based disclosure objective and approach. Further, we believe the scope of Industry Guide 3 should be based on the specific activities of an entity (such as lending and/or deposit activities) that are material to the operations of the entity and, therefore, would avoid the current focus on the type of entity (i.e., bank holding company). In our observations as auditors, it is not always clearly evident which entities must comply with the disclosure requirements of Industry Guide 3. This may result in entities making disclosures to investors that do not provide meaningful information about the material activities of the entity or, alternatively, not making disclosures that would be useful to investors. Investors may or may not be currently provided with information that is relevant to the material activities and related risks of an entity, which could impact their investing and voting decisions. Such diversity in the nature and extent of disclosures likely causes a lack of comparability of the information disclosed to investors and users.

Additionally, we previously stated in our response letter dated July 21, 2016 that we believe it would be helpful to combine the rules and regulations applicable to each industry in one place (e.g., combine the requirements in Article 9 of Regulation S-X, *Bank Holding Companies*, with Industry Guide 3). We believe that it would be appropriate for the SEC staff, at this time, to consider the location of the disclosure requirements of Industry Guide 3 and whether consolidating the disclosure requirements into Regulation S-K would further simplify compliance by the preparers of the financial statements and auditors.

Disclosure Requirements – Considerations

We believe the SEC should eliminate any disclosures that are duplicative or redundant of the requirements under new and existing accounting standards and, further, should eliminate any disclosure requirements that are determined to be obsolete. As Industry Guide 3 has not been updated significantly since 1986, it contains numerous examples of disclosure requirements that should be evaluated carefully by the SEC staff as they modernize the requirements of Industry Guide 3. Those disclosures are highlighted in Appendices A and B to the Center for Audit Quality's response to the SEC dated May 8, 2017[4].

As we stated in our previous response letter dated October 19, 2016, the SEC has designated the FASB as the private sector accounting standard setter for U.S. GAAP. Therefore, as it relates to disclosure requirements, in general, KPMG believes the SEC should minimize disclosure requirements incremental to U.S. GAAP established by the FASB.

We continue to believe that the FASB has a rigorous due process in place to set its standard setting agenda, evaluate proposed new accounting standards and perform post-implementation reviews of recently implemented accounting standards. We further believe the FASB's disclosure requirements have appropriately changed over time not only to address the information needs of investors, but also to reflect

[4] The Center for Audit Quality response dated May 8, 2017 to the Request for Comment can be located at https://www.sec.gov/comments/s7-02-17/s70217-1741751-151214.pdf

changes in business and economic environments. The SEC is responsible for monitoring overall the FASB's effectiveness in its role as standard setter and also serves as a participating observer on the

Emerging Issues Task Force (EITF) of the FASB, which is responsible for the timely identification, discussion, and resolution of financial accounting issues within the framework of the FASB's Accounting Standards Codification. These roles provide the SEC with the opportunity to appropriately participate and monitor the FASB's public standard setting process.

If the SEC's disclosure objectives differ in certain respects from those reflected in accounting standards established by the FASB, those differences, we believe, should be clearly communicated and explained to properly articulate the objective of the disclosure. At a minimum, such disclosures might focus on relevant information and metrics which are useful for investors to understand any trends or forward looking information impacting future financial performance.

A period of significant and rapid change in accounting standards will occur over the next several years as preparers of financial statements begin to adopt the FASB's new standards on revenue, leasing and impairment of financial assets, among others. The new standards include significant changes to the presentation and disclosure requirements in accordance with U.S. GAAP. Certain of these new disclosure requirements may be redundant to, or overlap with, current SEC disclosure requirements in Industry Guide 3.

Further, in connection with the SEC staff's consideration of whether additional disclosure requirements are warranted beyond those mandated by the accounting standard setters, we note that the Enhanced Disclosure Task Force (the "EDTF") of the Financial Stability Board surveyed certain global and domestic systemically-important financial institutions and conducted reviews of selected disclosures made by these institutions.[5] We believe the activities undertaken by the EDTF are important as they include the active participation of investors, analysts and rating agencies, all of which are users of the financial information and disclosures made by registrants. We encourage the SEC to fully consider the recommendations made by the EDTF and reactions by investors to those recommendations as the SEC considers changes to Industry Guide 3.

In addition, Guide 3 requires that bank holding companies provide certain disclosures for up to five years while the financial statements are required only for two or three years, based on the filing status (i.e., smaller reporting companies, emerging growth companies) of the registrant. We believe it would be appropriate for the SEC staff to consider limiting the number of years to only those periods for which the registrant has provided financial statements in the filing.

Regulatory Filings – Incorporation Considerations

We believe call reports and various other regulatory filings required by banking regulators are intended principally for the purpose of evaluating and monitoring the safety and soundness of insured depository institutions and may not have the same purpose as the disclosures required by U.S. GAAP, IFRS, and SEC rules and regulations, which are focused on helping investors in making their investing and voting decisions.

While we believe there may be relevant information for investors included in regulatory filings with banking regulators, we would also be concerned that incorporating by reference and including hyperlinks could significantly increase the extent of information in filings with the SEC, which would require the

[5] EDTF 2015 Progress Report can be located at http://www.fsb.org/wp-content/uploads/2015-Progress-Report-on-Implementation-of-the-EDTF-Principles-and-Recommendations.pdf

auditors to read that information and consider whether it is materially consistent with the financial statements to fulfill their professional responsibilities in accordance with Public Company Accounting Oversight Board (the "PCAOB") Auditing Standard 2710, *Other Information in Documents Containing Audited Financial Statements,* which most likely will increase the audit fees paid by registrants.

In addition, we believe that allowing registrants to incorporate by reference or include a hyperlink to call reports and other regulatory reports in a registration statement filed with the SEC could impact the ability of the independent accountants' to provide to an underwriter a comfort letter or, at the least, could significantly increase the costs associated with the comfort letter[6].

Finally, as the call reports and other regulatory filings are often presented at an individual bank level rather than at the level of the bank holding company, the inability to compare the consolidated financial statements of the bank holding company directly to the call reports and other regulatory filings may cause confusion for investors. In addition, aligning the required categories for disclosure as required by Industry Guide 3 to call reports and other regulatory filings could potentially cause duplication and redundancy with the disclosure requirements of U.S. GAAP and IFRS.

Foreign Private Issuers

We believe that foreign private issuers are subject to higher costs and burdens of compliance with the disclosure requirements of Industry Guide 3. As foreign private issuers typically report using IFRS rather than U.S. GAAP, certain concepts covered by the disclosure requirements of Industry Guide 3 do not exist as concepts in IFRS. For example, there are required disclosures for troubled debt restructurings and loans on non-accrual status in U.S. GAAP but those concepts do not exist in IFRS. Accordingly, certain foreign private issuers, in our observations, include the required disclosures in accordance with IFRS and also provide separate disclosures to specifically comply with the requirements of Industry Guide 3. We believe the SEC should consider the comparability of disclosure requirements in Industry Guide 3, which are based on the concepts in U.S. GAAP to the disclosure requirements in IFRS. We recommend the SEC provide clear objectives for each of the disclosure requirements that will exist in Industry Guide 3, which will allow foreign private issuers to provide the required information consistent with the respective foreign private issuer's financial reporting framework, such as IFRS, rather than simply layering in disclosures solely to comply with the requirements of Industry Guide 3. We believe this will enhance the comparability among bank holding companies that report using varied financial reporting frameworks such as U.S. GAAP and IFRS and, more importantly, allow investors to evaluate the risk characteristics and profiles across all entities that are subject to Industry Guide 3 based on their material lending and deposit activities.

[6] PCAOB Auditing Standard 6101, *Letters for Underwriters and Certain Other Requesting Parties*, can be located at https://pcaobus.org/Standards/Auditing/Pages/AS6101.aspx

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We appreciate the opportunity to respond to the Request for Comment. If you have any questions regarding our comments or other information included in this letter, please do not hesitate to contact Jeffrey Jones, [redacted], [redacted], or Tim Phelps [redacted], [redacted].

Very truly yours,

KPMG LLP

cc:

Jay Clayton, Chairman
Michael Piwowar, Commissioner
Kara Stein, Commissioner
William Hinman, Director, Division of Corporation Finance
Mark Kronforst, Chief Accountant, Division of Corporation Finance
Wesley Bricker, Chief Accountant
Russell Golden, Chairman, Financial Accounting Standards Board