December 2, 2019

Via Electronic Mail

Ms. Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: File Number S7-02-17, Request for Comment on Proposed Update to Statistical Disclosures for Bank and Savings and Loan Registrants

Ladies and Gentlemen:

The Bank Policy Institute and the Securities Industry and Financial Markets Association (collectively, the "Associations")[1] appreciate the opportunity to offer comments in response to the request for comment on the above-referenced Proposal by the Securities and Exchange Commission (the "SEC" or "Commission"). U.S. bank holding companies have complied with the disclosures currently set forth in Industry Guide 3 ("Guide 3"), *Statistical Disclosure by Bank Holding Companies* for many years, and therefore have considerable experience with the disclosure items discussed in the Proposal.

The Associations strongly support efforts to improve the efficiency and effectiveness of disclosures and are supportive of ensuring that disclosures are understandable and transparent to investors. In that regard, we appreciate the Commission's comprehensive review of Guide 3 and the resultant proposal to eliminate many of the disclosures that are redundant. Accordingly, we generally support the finalization of the Proposal, subject to our views summarized below.

I. Executive Summary

- We support the proposed elimination of disclosure items that overlap with, or are duplicative of, existing disclosure requirements as this will result in financial filings that are less confusing, and therefore more useful, to investors.

- We support the proposed reduction in the required reporting periods to align them with the relevant annual periods required by Commission rules for a registrant's financial statements as the proposed disclosures expand upon and are integrally related to the financial statements, and given that historical data is now readily accessible to investors.

1 See Appendix 2 for a description of the Associations.

- We support the codification of the disclosures within Regulation S-K as proposed and recommend that the SEC permit registrants to have the flexibility to provide the required disclosures either as part of Item 1400, Item 303 of Regulation S-K, *Management's discussion and analysis of financial condition and results of operations* ("MD&A"), or within the financial statements.

- The proposed requirement to disclose uninsured deposits would present significant challenges and costs for registrants and the lack of comparability among different deposit schemes may prove misleading to investors and should therefore be eliminated.

- The SEC should retain its guidance that allows registrants to exclude or aggregate certain loan categories for the loan maturity table, allowance for credit losses, and credit ratio disclosures.

- The proposed disclosures should not be required in structured data format as the cost of providing information in this format would be significant.

- The SEC should provide in the final rule that any new disclosures would not be effective until at least the December 31, 2021 Form 10-K to allow registrants sufficient time for implementation.

- The SEC should codify the Guide 3 accommodation for undue burden or expense and confirm that it does not intend to change existing interpretations of hardship or prior staff guidance to foreign private registrants regarding Guide 3 disclosures that will be codified.

Additional suggestions for the SEC's consideration are included in Appendix 1 to this letter.

II. We support the proposed elimination of disclosure items that overlap with, or are duplicative of, existing disclosure requirements as this will result in financial filings that are less confusing, and therefore more useful, to investors.

As the Proposal notes, since the last substantive revision to Guide 3 in 1986 the disclosure framework for banks has evolved substantially. The Financial Accounting Standards Board ("FASB") and International Accounting Standards Board have issued many new accounting standards that have comprehensively changed the financial reporting obligations for bank registrants, and the SEC has also adopted and revamped numerous disclosure requirements for banks. Consequently, many of the disclosures called for by Guide 3 overlap with subsequently adopted Commission rules, U.S. GAAP, or IFRS. Accordingly, we support the elimination of the requirements as proposed that either overlap with, or are duplicative of, existing disclosure requirements. We believe that duplication of information and/or presentation of information that is almost, but not quite, the same, can prove confusing to investors, such that the elimination of such redundancies will result in a more streamlined and overall more useful presentation of information in SEC filings.

III. We support the proposed reduction in the required reporting periods to align them with the relevant annual periods required by Commission rules for a registrant's financial statements as the proposed disclosures expand upon and are integrally related to the financial statements, and given that historical data is now readily accessible to investors.

We support the proposal to define the term "reported period" for purposes of the proposed disclosures to mean each annual period required by Commission rules for a registrant's financial statements. We believe that aligning the time periods for the required disclosures with the annual periods required by Commission rules for a registrant's financial statements is a sensible approach as the proposed disclosures expand upon and are integrally related to the financial statements. In addition, as the Proposal notes, the need for banks to provide historical information that goes beyond the typical financial reporting periods of two years for balance sheet information and three years for income statement information has been effectively rendered obsolete, given the ease with which past financial statements and other disclosures made in previous filings are now available to investors, via the SEC's EDGAR database and registrants' websites.

In addition, we also support the proposal to modify the current interim period instruction to clarify that the threshold to include an additional interim period is based on whether there is a material change in the information or the trend evidenced thereby, as this is consistent with other Commission and FASB guidance.

IV. We support the codification of the disclosures within Regulation S-K as proposed and recommend that the SEC permit registrants to have the flexibility to provide the required disclosures either as part of Item 1400, MD&A, or within the financial statements.

We support the codification of the disclosures within Regulation S-K and note that the SEC is proposing to add a new subpart, 17 CFR 229.1400 ("Item 1400 of Regulation S-K"), which would include 17 CFR 229.1401 through 17 CFR 229.1406. In the past, registrants were provided the flexibility to determine where the Guide 3 disclosures should be made, and disclosures were included in either the financial statements or MD&A, as the registrant deemed most appropriate. We recommend that the SEC continue to allow registrants the flexibility to determine whether the required disclosures should be provided in Item 1400 of Regulation S-K or within MD&A or the financial statements. We believe that allowing registrants to decide where best to present each disclosure will result in superior disclosures, with related disclosures being grouped together. Accordingly, we recommend that the SEC clarify this instruction to state that registrants have the flexibility to select the section or sections of SEC filings in which to present the proposed disclosures so that registrants can provide information in the manner management considers most meaningful and useful for investors.

V. The proposed requirement to disclose uninsured deposits would present significant challenges and costs for registrants and the lack of comparability among different deposit schemes may prove misleading to investors and should therefore be eliminated.

The proposed disclosure in Item 1406(e) and (f) would represent a significant increase in the scope and level of granularity required above the existing disclosure requirement, and will therefore be operationally burdensome and costly to many banks. Providing total uninsured deposits would not address the purpose of the disclosure in allowing users of the financial statements to assess a firm's potential liquidity risk, as disclosing only total uninsured deposits provides an incomplete picture of a firm's liquidity risk – and, on its own, could result in an investor making an uninformed judgment.

Furthermore, as the Commission notes, the definition of uninsured deposits for foreign banking organization ("FBO") registrants varies from jurisdiction to jurisdiction and may vary with respect to issues such as coverage of deposits of foreign branches and whether the protection scheme is backed by the full faith and credit of the government in the same manner as the FDIC's Deposit Insurance Fund. In addition, it is not clear how the term "uninsured deposits" would be applied to investment products such as mutual funds, annuities, or life insurance policies as these products are now specifically included in the scope of these disclosures. This lack of comparability among various jurisdictions and products could, therefore, be misleading to investors. Accordingly, we recommend that the SEC remove this requirement from the final Release.

If the Commission does not accept our recommendation to eliminate the proposed disclosure regarding uninsured deposits, we request that the Commission expressly provide that for deposits that are partially insured, the term “uninsured deposits” refers to the amount in excess of the insured amount. In addition, we note that certain states such as Massachusetts have their own deposit insurance funds and we recommend that deposits covered by these and other similar regimes be considered “insured” for the purposes of this disclosure. Finally, we also request the Commission explain how it has considered the FDIC 370 Modernization Act[2] in determining the guaranteed amount of deposits, and how the term “uninsured deposits” would be applied to investment products such as mutual funds, annuities, or life insurance policies.

VI. The SEC should retain its guidance that allows registrants to exclude or aggregate certain loan categories for the loan maturity table, allowance for credit losses, and credit ratio disclosures.

We believe that the proposed codification of the maturity by loan category disclosure (Item III.B of Guide 3), and the proposal to mirror the loan categories and classes presented in the financial statements but without the flexibility to exclude certain loan categories such as real estate mortgages, installment loans to individuals, and lease financing, will not result in more meaningful disclosures. Specifically, large portfolios of consumer loans such as credit cards will likely be categorized in the “within 1 year” bucket and residential real estate loans will generally be in the “over 10 year” bucket. Accordingly, we recommend that the final Release continue to allow registrants to exclude or aggregate certain loan categories as deemed appropriate by the registrant.

We further note that proposed Item 1405 of Regulation S-K would require disclosure of net charge-offs to average loans by loan category disclosed in the financial statements. We believe that many of these newly-disaggregated ratios may not provide meaningful information to the extent that they are not significant drivers of business results. In addition, proposed Item 1405 (c) would require a breakdown of the allowance for credit losses by each loan category for which disclosure is required by U.S. GAAP. U.S. GAAP requires disclosure at the level at which the allowance is determined, and we believe that any further disaggregation would not be warranted for these disclosures.

Accordingly, we recommend that the SEC retain the instructions to Guide 3 Item III.A, which provide latitude to registrants to use loan categories outside of those identified in Guide 3 “if considered a more appropriate presentation” for both the proposed Item 1404 loan maturity table disclosures and Item 1405 allowance for credit losses and credit ratio disclosures.

VII. The proposed disclosures should not be required in structured data format as the cost of providing information in this format would be significant.

We do not believe that the proposed disclosures should be required to be presented in structured data format, such as XBRL, as the cost of providing the information in this format could be significant to registrants. In addition, if the Commission permits registrants to provide the required disclosures in MD&A, to the extent they believe this results in a more coherent and meaningful disclosure package, it would be difficult for registrants to selectively provide these new disclosures in XBRL format given that other MD&A disclosures are not required to be

[2] See https://www.fdic.gov/news/board/2019/2019-07-16-notice-dis-a-fr.pdf.

provided in such format. Accordingly, we request that the SEC eliminate the proposal to provide the disclosures in structured data format.

VIII. The SEC should provide in the final rule that any new disclosures would not be effective until at least the December 31, 2021 Form 10-K to allow registrants sufficient time for implementation.

Certain new and expanded disclosures would require considerable time to implement. For example, the requirement to disclose average balance sheets will necessitate additional time to gather data, test systems, and implement appropriate disclosure protocols. Accordingly, we recommend that the SEC provide in the final rule that any new disclosures would not be effective until at least the December 31, 2021 Form 10-K to allow registrants sufficient time to source and test the information and ensure that the information produced is accurate and reliable.

IX. The SEC should codify the Guide 3 accommodation for undue burden or expense and confirm that it does not intend to change existing interpretations of hardship or prior staff guidance to foreign private registrants regarding Guide 3 disclosures that will be codified.

The SEC has proposed to modify certain of the proposed requirements for FBO registrants filing Form 20-F using IFRS and we support these changes. In addition, many FBOs that currently report Guide 3 information have reported items on a modified basis consistent with prior SEC staff guidance or individual consultations with SEC staff. For example, as the Proposal acknowledges, producing a daily average deposit balance is often unduly burdensome and not all of the proposed disclosure items, such as nonaccrual loans and FDIC deposit insurance limits, are applicable to an FBO.

The SEC should confirm in the final adopting release that the amendments to the disclosure requirements and the codification of Guide 3 disclosures into Regulation S-K are not intended to change existing interpretations of hardship or prior SEC staff guidance to FBOs for the disclosure requirements. In addition, we recommend that the SEC codify the guidance in the General Instruction 6 to Guide 3 that provides in relevant part "it should be brought to the staff's attention if Guide 3 information is unavailable to foreign registrants and cannot be compiled without undue burden or expense." The instruction further states that "[i]n evaluating the reasonableness of assertions by registrants that the compilation of requested information, such as historical data or daily averages, would involve an unwarranted or undue burden or expense, the staff takes into consideration, among other factors, the size of the registrant, the estimated costs of compiling the data, the electronic data processing capacity of the registrant, and efforts in process to obtain the information in future periods," which we believe is a reasonable approach.

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The Associations appreciate the opportunity to comment on the Proposal and we support the SEC's efforts to improve and enhance disclosures. If you have any questions, please contact the undersigned by email at David.Wagner@bpi.com and mscucci@sifma.org.

Respectfully submitted,

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Appendix 1

Item 1402 Distribution of assets, liabilities and stockholders' equity; interest rates and interest differential.

Proposed Item 1402 changes the instructions regarding the major categories of assets and liabilities from "should include" to "must include, at a minimum." The additional disaggregation that would be required by this section appears to remove any element of professional judgment based on quantitative or qualitative materiality assessments and may therefore result in disaggregation that will be of little value to users of the financial statements. For example, for certain institutions, the balances of federal funds sold and federal funds purchased are not sufficiently material to otherwise warrant disaggregation. In our view, this change in the proposed language is inconsistent with disclosure simplification and effectiveness since it can lead to "boilerplate" disclosure when materiality and judgment are not permitted. We recommend maintaining the existing language of "should include" or revising the proposed language to "must include if material" in order to give registrants the flexibility to disclose what is relevant for financial statement users.

Item 1405(b) Allowance and credit ratios.

We believe that the proposal in 1405 (b) to provide a discussion of the factors that drove material changes in the credit ratios required by Item 1405 (a), or the related components, during the periods presented is unnecessary, as it overlaps with the basic and overriding requirement in Item 303(a) of Regulation S-K Paragraph (a) to "provide such other information that the registrant believes to be necessary to an understanding of its financial condition, changes in financial condition and results of operations." Accordingly, we recommend this proposed disclosure be deleted.

If the Commission believes the disclosure requirement is necessary, we request that it be revised to specify that the material changes should be disclosed to the extent they are material to the registrant's results of operations as a whole and not to a particular loan category's ratios.

Appendix 2

The Bank Policy Institute is a nonpartisan public policy, research and advocacy group, representing the nation's leading banks and their customers. Our members include universal banks, regional banks and the major foreign banks doing business in the United States. Collectively, they employ almost 2 million Americans, make nearly half of the nation's small business loans, and are an engine for financial innovation and economic growth.

SIFMA is the voice of the U.S. securities industry. We represent the broker-dealers, banks and asset managers whose nearly 1 million employees provide access to the capital markets, raising over $2.5 trillion for businesses and municipalities in the U.S., serving clients with over $18.5 trillion in assets and managing more than $67 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.