American Bankers Association
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Michael L. Gullette
Vice President – Accounting and Financial Management
202-663-4986
mgullette@aba.com

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Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Via email: rule-comments@sec.gov

File Number S7-22-10 *Short-Term Borrowings Disclosure; Proposed Rule*

Dear Ms. Murphy:

The American Bankers Association (ABA) appreciates the opportunity to comment on the proposed rule *Short-Term Borrowings Disclosure* (Rule). ABA brings together banks of all sizes and charters into one association. ABA works to enhance the competitiveness of the nation's banking industry and strengthen America's economy and communities. Its members – the majority of which are banks with less than $125 million in assets – represent over 95 percent of the industry's $13.3 trillion in assets and employ over 2 million men and women.

In summary, we support the overall efforts to provide more transparent information regarding the funding and liquidity risks at registrant companies. The use of short-term borrowings is a key component to manage these risks and we believe that the recent economic times have elevated the need for additional disclosure.

With this in mind, we generally support the proposed additional qualitative and quantitative disclosures, but believe that such disclosures and disaggregation levels should be limited to those relevant to the entity so that users may better understand the risks through the eyes of management. For example, we support allowing management to define the reporting categories for maximum daily and ending balances, believing this will normally conform to the current requirements under Guide 3 *Statistical Disclosures by Bank Holding Companies* (Guide 3). However, if the reporting categories are fixed, then quantitative thresholds, such as the current 30% of stockholder's equity threshold, should be used. This threshold will allow users to focus on significant activity and also will lighten the burden of smaller entities.

Expounding on our emphasis that the additional disclosures should be relevant to the management processes of the reporting entity, we also have the following recommendations:

- There should be no requirement to provide a narrative discussion of the maximum short-term borrowing amount during a period unless it is materially different than the average or period-end amounts.

- Consideration must be given to required narratives related to year-end and quarter-by-quarter comparisons in order to ensure unnecessary redundancy is avoided. We also recommend that only two years of comparative information require narrative discussion.

- Because management does not normally manage to any intraday maximum balance, we do not support such a disclosure.

- If further disaggregation in the reporting categories is required, then at least one quarter of transition is required after the issuance date. This transition period is also needed for banks that, in compliance with existing Guide 3 and banking regulatory reporting guidelines, use practical expedients to determine average balances and need to implement new systems to determine maximum daily balances.

We believe these recommendations will help eliminate unnecessary “noise” within the disclosures and focus the investor on how management is responding to the actual risks.

Attached are our responses to the detailed questions included in the proposal.

Thank you for your attention to these matters and for considering our views. Please feel free to contact me (mgullette@aba.com; 202-663-4986) if you would like to discuss our views.

Sincerely,

Michael L. Gullette

Request for Comment

**Proposed New Short-Term Borrowings Disclosure in MD&A**

1. Is information about short-term borrowings and intra-period variations in the level of short-term borrowings useful to investors? If so, should we require specific line item disclosure of this information in MD&A, as proposed, or would existing MD&A requirements for disclosure of liquidity and capital resources provide sufficient disclosure about these issues? If a specific MD&A requirement would be appropriate, does the proposed requirement capture the type of information about short-term borrowings that is important to investors? If not, how should we change the proposed requirement? For example, should we require disclosure of the weighted average interest rate on the short-term borrowings, as proposed?

   **Response**: Information about short-term borrowings and intra-period variations can be of use to investors when such information is related to the critical aspects of the institution's management of liquidity. We believe that the proposed requirements would have shed light on certain activities (e.g. Lehman Repo 105) and thus likely achieve the SEC's primary objectives. With this in mind, however, while we are not arguing against the specific proposed requirements, we believe that the usefulness of such prescriptive requirements will diminish over time unless specifically relevant to the liquidity management of the company.

2. Consistent with the approach taken in Guide 3 and in former Rule 12-10 of Regulation S-X, we propose to define "short-term borrowings" by reference to the amounts payable for various categories of short-term obligations that are typically reflected as short-term obligations on the balance sheet and stated as separate line items in accordance with Regulation S-X. Is the proposed definition sufficiently clear? If not, what changes should be made to the proposed definition? For example, should the definition refer to "short-term obligations" as defined in U.S. GAAP? In connection with any response, please provide information as to the costs associated with the implementation of any changes to the proposed definition.

   **Response**: The proposed definition is clear.

3. Are the proposed categories of short-term borrowings appropriate? If not, why not, and how should we change the proposed requirement? For example, should we apply different categories to Guide 3 companies as compared to other companies, as was the case when former Rule 12-10 of Regulation S-X was in effect? Are the proposed categories appropriately tailored so that companies can monitor and provide the proposed disclosure? In particular, is the category for "any other short-term borrowings reflected on the registrant's balance sheet" too broad? If so, how should it be narrowed? Are there other categories of short-term borrowings that should be broken out? For example, should amounts relating to repurchase arrangements be disaggregated into those that are collateralized by U.S. Treasury securities and those that are collateralized by other assets? If so, please include in your discussion the reasons such information would be meaningful to investors and provide an indication of the costs and burdens associated with providing that level of detail.

   **Response**: Since the new disclosures of maximum daily balances relate to how an organization manages its liquidity, we support categories that are defined by management. These categories will allow an investor to see liquidity management through the eyes of management. A quantitative threshold would then apply, allowing the investor to focus only on those liquidity lines that best capture management's view.

With this in mind, bank holding companies (BHCs) should be able to retain the same level of aggregation currently required under Guide 3. The new categories, i.e. "borrowings from banks" and "borrowings from factors/other financial institution" will generally not be relevant to most BHCs, though we also believe that certain borrowings under these categories would then also apply specifically to funds managed by the organization for the benefit of customer assets that are recorded on the balance sheet.

Overall, excessive disaggregation will devalue the narratives, especially if the categories don't align to how the company monitors and manages its liquidity. Quantitative disclosures principally highlight intra-period borrowing trends and general reliance on short-term borrowings. More disaggregation will not provide any meaningful incremental value to the reader and thus the costs are not justified.

4. Is disaggregation by currency or other grouping useful to the understanding of aggregate short-term borrowing amounts? Would the proposed requirement for disaggregation provide an appropriate level of detail? Is it sufficiently clear? Instead, should we prescribe a specified method or threshold for disaggregation? If so, describe it. For example, should we require information to be presented separately by currency where there is a significant amount of borrowings that are not denominated in the company's reporting currency? If so, should we specify a threshold amount (e.g., 5, 15 or 20% of borrowings) and what should that threshold be? Or should the amounts instead be disaggregated into more generalized categories, such as "domestic" and "foreign" borrowings? Please provide details about the costs and benefits of any alternatives to the proposed disaggregation provision, and discuss whether requiring companies to follow a specific disaggregation method would impose practical difficulties on companies (or particular types of companies) when they are gathering and compiling the proposed short-term borrowings disclosure.

**Response**: Disaggregation by currency may be useful in certain circumstances. However, for the majority of banking institutions, such information (and its accompanying qualitative analysis) would provide little, if any, value to an investor. We recommend that either the SEC remove this requirement or provide more definitive guidance in order to ensure effective transition and comparability across entities.

While we believe the proposed categories are useful guidelines, we believe that, to be meaningful to an investor, the categories should be defined through the eyes of management, with the current quantitative thresholds (30% of shareholders' equity) as the basis for disaggregation. This way, investors will be able to focus only on information that is relevant to how the organization manages its liquidity.

5. We note that Guide 3 currently provides a quantitative threshold for separate disclosure of short-term borrowings by category. The proposed short-term borrowings provision does not contain a specific quantitative disclosure threshold for separate disclosure of amounts in the different categories of short-term borrowings. Should we establish a quantitative disclosure threshold for the separate categories of short-term borrowings, such as above a specified percentage of liabilities or stockholders' equity (e.g., 5, 10, 20, 30 or 40%)? If so, how should the threshold be computed? Should this quantitative disclosure threshold apply to all companies?

**Response**: We believe that, if the proposed categories are fixed, then there should be a quantitative threshold for disclosure. This threshold, which we believe the historic 30% of stockholders' equity is a good starting point (in which to determine the threshold), would recognize a company's liquidity management process through the eyes of management. Such a threshold would also significantly lighten the burden for smaller reporting companies. We recommend that the final rule require companies to provide qualitative explanations only related to those liquidity lines that are viewed by management to be critical. This provides investors with the most relevant information, avoiding unnecessary "noise" within the qualitative narratives.

6. As proposed, "financial companies" would be required to provide the largest daily amount of short-term borrowings. We understand that banks and bank holding companies track this information on a daily basis in connection with the preparation of reports to banking regulators. We also expect that other non-bank companies engaged in financial businesses that would fall within the scope of the proposed requirement do not currently track this type of information on a daily basis. Is this information useful to investors? What are the burdens and costs of requiring registrants that meet the definition of "financial company" but are not banks to meet that requirement?

   **Response**: Currently reported daily amounts and averages for banking institutions are not required to be based on information tracked on a strictly daily basis. For example, the general instructions for Guide 3 notes "Where the collection of data on a daily average basis would involve unwarranted or undue burden or expense, weekly or month-end averages may be used, provided such averages are representative of the operations of the registrant. The basis used for presenting averages need be stated only if not presented on a daily average basis." Section VII of Guide 3 also requires only maximum month-end amounts during a quarter. Further, instructions for U.S. bank "Call Reports" and form FRY9-C, in relation to reporting quarterly averages, say "Report, for the items on this schedule, the average of the balances as of the close of business for each day for the calendar quarter or an average of the balances as of the close of business on each Wednesday during the calendar quarter."

   With this in mind, the burden and costs of complying with the requirement to report daily maximum amounts are potentially assumed by all companies, banking and non-banking. For these registrants, report-writing utilities that can analyze balances on a daily basis will need to be implemented and reconciled to the general ledger and to other liquidity management system reports on a daily basis.

7. Is the activities-based definition of "financial company" sufficiently clear? Are the activities identified (lending, deposit taking, insurance underwriting, providing investment advice, broker or dealer activities) as part of the definition appropriate, or are they overly-inclusive (or under-inclusive)? Should we provide a definition of the term "significant" as used in the proposed definition? If so, should we provide a numerical, threshold-based definition (e.g., 10% of total assets)? If so, what should the threshold be? Should it relate to assets or should it relate to revenues and income? Should we specify certain types of entities in the definition, as proposed? Should other entities be added to or excluded from the definition? If so, please provide details. Are there any circumstances that would cause an entity to come under the proposed definition that should be excluded, and if so, why?

   **Response**: We have no comment.

8. Should all registrants that are financial companies be required to provide the maximum daily amount of short-term borrowings, as proposed? Should registrants that are not financial companies be required to provide the maximum daily amount of short-term borrowings, rather than permitting them to provide the maximum month-end amount as is proposed? Do registrants that are not financial companies have systems to track and calculate this information on a daily basis? What are the burdens and costs of requiring companies engaged in non-financial businesses to meet that requirement? Should registrants that are not financial companies be required to disclose each month-end amount rather than the maximum, as proposed? Should registrants also be required to provide the minimum month-end (or daily for financial companies) amount outstanding? What are the burdens and costs of requiring companies to meet those requirements?

   **Response**: We are not opposed to requiring maximum daily amounts of short-term borrowings, though, as noted above, we believe the categories and the disaggregation thresholds should reflect how a financial institution manages its liquidity. For the vast majority of banking institutions, this would not be burdensome, if current Guide 3 categories are maintained. We do not believe that disclosing minimum month-end or daily balances will add value to an investor's analysis.

   As detailed in the response to question six, various banks will assume a new burden to report maximum daily amounts that is in addition to merely writing a new report. Report-writing utilities will need to be implemented and reconciled to the general ledger and to other liquidity management system reports on a daily basis.

9. Is the proposed accommodation for reporting that would allow financial companies to present information about their non-financial businesses on the same basis as other non-financial companies appropriate? Would this address cost concerns for these companies? Is the proposed instruction to implement this accommodation sufficiently clear?

   **Response**: We have no comment.

10. Should registrants be required to provide the largest amount of short-term borrowings outstanding <u>at any time</u> during the reporting period (meaning intra-day as opposed to close of business)? Would this amount be difficult for registrants to track?

    **Response**: Intra-day balances will be difficult to obtain. This is not an amount that is managed at any banking organization on any executive level. With that in mind, we believe there would be no real value to the investor for such information.

11. As proposed, registrants that are financial companies would be required to provide average amounts outstanding computed on a daily average basis. Should averages computed on a daily average basis be required only for certain companies (for example, bank holding companies, banks, savings associations, broker-dealers)? If so, why and which companies? In this connection, please describe whether financial companies that are not banks typically close their books on a daily basis and whether they have the systems to track and calculate this daily balance information used to compute averages on a daily average basis. What are the burdens and costs for a registrant (that is not a bank) to meet the proposed requirement? Are some types of businesses, such as multi-nationals, disproportionately affected by such costs? If so, please

explain why. Is there an alternative requirement for such a business that would still meet the disclosure objective?

**Response**: As detailed in the response to question six, in addition to non-financial companies, various banks will assume a new burden to report maximum daily amounts that is in addition to merely writing a new report. Report-writing utilities will need to be implemented and reconciled to the general ledger and to other liquidity management system reports on a daily basis.

12. As proposed, registrants that are not financial companies would be permitted to use a different averaging period, such as weekly or monthly, so long as the period used is not longer than a month. Is it appropriate to allow this type of flexibility given the possibility that longer averaging periods could mask fluctuations? Are certain borrowing practices more likely to be impacted than others, such as overdrafts used as financing? Is there an alternative requirement or instruction that could eliminate this issue while not imposing undue costs and burdens and still meeting the disclosure objective?

    **Response**: We have no comment.

13. Should we require a narrative discussion of short-term borrowing arrangements, as proposed? Are the narrative discussion topics useful to investors? Are there other discussion topics that would be useful to investors? If so, what other topics should we require to be discussed? Should we tailor the disclosure to omit information that may be unimportant to investors? If so, what information, and why, and which registrants would be affected?

    **Response**: The only information that is relevant is that which allows investors to see through the eyes of management the bank's approach to liquidity management. With that in mind, as noted above, we believe categories and disaggregation thresholds should present only material liquidity lines and activities.

    We do not believe a discussion of the maximum amount during the period is necessary unless it materially differs from the average and/or period-end balances. Therefore, we recommend the final two bullet points on page 59872 of the Federal Register should be combined to read:

    "..the reasons for any material differences between the (i) maximum amount for the reporting period, (ii) the average short-term borrowings for the reporting period and (iii) period-end short-term borrowings, including any non-recurring transaction or events, use of proceeds or other information that provides context for the material differences."

14. Do the proposed discussion topics provide enough flexibility to companies to fully and clearly describe their short-term borrowings arrangements?

    **Response**: Subject to the responses already provided, we believe sample explanations should be provided. Smaller institutions will benefit greatly from additional guidance.

15. If the proposals are adopted, we expect to authorize our staff to amend Guide 3 to eliminate Item VII in its entirety. Are there any other technical amendments that would be appropriate, such as the elimination of cross-references in other Commission rules or forms, if the staff removes Item VII from Guide 3?

**Response**: We have no comment.

**Reporting Periods (page 59874)**

16. Are the proposed reporting periods appropriate? Should we require annual short-term borrowings information in annual reports, as proposed? Should annual reports instead include a quarterly breakdown of short-term borrowings information? Should annual reports include quarterly information for the fourth fiscal quarter in addition to annual information, as proposed? For example, would disclosure of information for the fourth fiscal quarter be necessary to highlight any efforts to reduce borrowings at year-end, below the levels prevailing throughout the fourth fiscal quarter? Is the presentation of this information for the fourth fiscal quarter, in isolation without corresponding quarterly financial statements and MD&A for that period, potentially misleading? If so, what additional information should be required? Should quarterly reports be required to include quarterly information, as proposed? Should registration statements be required to include annual and interim information, as proposed? In each case, explain the reasons for requiring the applicable reporting periods and provide information as to whether investors would find the information useful. Please also include details about additional costs involved.

    **Response**: We believe the currently proposed interim disclosures are sufficient (taking into consideration our other comments in this letter, and that information required in addition to that proposed would not provide sufficient additional value to an analysis of liquidity. There would be significant difficulty in qualitatively addressing any quarter-by-quarter information requirement, since management at most banks does not normally manage liquidity on a quarterly timeframe. However, a comparative analysis of current quarter-end versus prior year-end balance (i.e. similar to other balance sheet flux analyses in MD&A) may be helpful to investors in identifying a higher reliance on short-term borrowing.

    We question whether year-end comparative information provides value to investors, as management does not normally manage liquidity on a year-by-year basis. At a minimum, we recommend reducing the year-to-year comparative analysis to two years (i.e. current year vs. prior year, rather than three years).

    Further, as currently proposed, interim filings will include short-term a borrowing table with a narrative and the annual filing will include a $4^{th}$ quarter short-term borrowing table with a narrative. Therefore, we believe that the narrative for the year-end comparative will be redundant with the $4^{th}$ quarter (and previous quarter) narratives, and thus, should be provided only for $4^{th}$ quarter for the annual disclosures.

17. Should we require quarterly disclosure at the same level of detail as annual period disclosure, as proposed? Does the proposed presentation provide information that is useful to investors? Describe in detail the costs and benefits of providing full (rather than material changes) interim period disclosures of the proposed short-term borrowings information. Instead, should we require quarterly reports to include disclosure of material changes only? If so, why? How would disclosure of material changes address the issue of transparency of intra-period borrowings?

    **Response**: As noted above, we are not opposed to a comparative balance versus prior year-end, similar to other balance sheet analyses, as a point of reference regarding change in/reliance upon short-term borrowing. The incremental costs for reporting this quarterly are not significant, in comparison to the added annual costs. On the other hand, a quarter over quarter narrative would not add any more information that is not already discussed in a narrative regarding seasonality.

18. For annual periods, should we require, as proposed, three years of comparative data? Or would data for the current year, without historical comparison periods, provide investors with adequate information? Describe in detail the costs and benefits of providing comparative period disclosures in this context.

    **Response:** Because of the balance sheet/liquidity focus of this data, we recommend that the proposed requirement be for only two years of comparative data. Information going back further would add little value to an analysis of current liquidity.

19. Is the proposed disclosure for the current interim period sufficient, or should we also require comparative period data? If so, which comparative periods would be most useful? Explain how prior period comparisons would be useful to investors; for example, would prior period comparisons be needed to identify seasonality in borrowing levels? If so, instead of requiring comparative data, should we specifically require companies to qualitatively describe trends or seasonality in borrowing levels? Describe in detail the costs and benefits of providing comparative period disclosures in this context.

    **Response:** It is appropriate not to require comparative interim data. Liquidity management is a fluid process that is normally based on current economic and other environmental factors. A requirement to qualitatively describe seasonal trends should address any concerns regarding quarter-over-quarter balances. However, a requirement to show comparative interim period data does not appear to add any value to an investor's analysis, since management does not manage to any kind of comparative year liquidity measures.

20. Should we require year-to-date information in addition to quarterly information for interim periods? Would year-to-date information be useful to investors? Describe in detail the costs and benefits of providing year-to-date information in this context.

    **Response:** Since liquidity management is a fluid process that is normally based on current economic and other environmental factors, year-to-date information would not be relevant to any financial analysis. Management does not manage to any kind of year-to-date liquidity requirements.

### Application of Safe Harbors for Forward-Looking Statements (page 59875)

21. Is there any need for further guidance from the Commission with respect to the application of either the statutory or the rule-based safe harbors to the information called for by the proposed short-term borrowings disclosure requirement? If so, please provide details as to the potential ambiguity in the application of existing safe harbors. In particular, what information called for by the proposed requirements raises doubt as to the applicability of the statutory safe harbor or the safe harbor rules under Securities Act Rule 175 or Exchange Act Rule 3b-6?

    **Response**: We have no comment.

22. Should Item 303(c) of Regulation S-K be revised to also cover forward-looking information disclosed pursuant to the proposed short-term borrowings disclosure requirement?

    **Response**: We have no comment.

**Treatment of Foreign Private Issuers**

23. Should we apply the proposed amendments to foreign private issuers' annual reports on Form 20-F, as proposed? Or should we exclude these annual reports from the scope of the amendments? If so, why?

    **Response**: We have no comment.

24. Should we apply the proposed amendments to foreign private issuers' registration statements, as proposed? Or should these registration statements be excluded from the scope of the proposed rules? In particular, should we not require the interim period short-term borrowings information to be included in the registration statements of foreign private issuers? If not, why?

    **Response**: We have no comment.

25. Should we limit the application of the new disclosure requirements to foreign private issuers that are banks or bank holding companies, or that are financial companies? If so, why?

    **Response**: We have no comment.

26. Is the instruction to proposed Item 5.H regarding the categories of short-term borrowings appropriate? Is the instruction clear? If not, how can it be clarified?

    **Response**: We have no comment.

**MJDS Filers**

27. Should we amend Form 40-F to include the new short-term borrowings disclosure requirements? If so, why?

    **Response**: We have no comment.

**Smaller Reporting Companies**

28. Does the proposal strike the proper balance between imposing proportional costs and burdens on smaller reporting companies while providing adequate information to investors? Would the proposed new short-term borrowings disclosure be useful to investors in smaller reporting companies? Are there any features of the proposed requirements that would impose unique difficulties or significant costs for smaller reporting companies? If so, how should we change the requirements to reduce those difficulties or costs while still achieving the disclosure objective?

**Response**: The prescriptive nature of the proposals, specifically in the categorization of short-term borrowings, as well as disaggregation requirements, will burden smaller banks much more than larger institutions. We believe that, following the principle we have already espoused above for all banks, more emphasis on categorization and disaggregation through the eyes of management will lighten the burden of the smaller bank.

29. Should we provide the proposed exemption for interim period updating to smaller reporting companies? If not, please discuss whether the expanded level of interim period disclosure by smaller reporting companies would be useful to investors and why.

    **Response**: We have no comment.

30. Would the gathering of data and preparation of expanded interim period disclosure be burdensome to smaller reporting companies? Could the proposed requirement be structured a different way for smaller reporting entities so as to enable interim period reporting without imposing a significant cost? If so, please provide details of such an alternative.

    **Response**: As noted in the response to question 28, more emphasis on categorization and disaggregation through the eyes of management will lighten the burden for the smaller bank.

31. Are the nature of the short-term borrowings and the related risks different for smaller reporting companies such that additional or alternate disclosure would be appropriate? In particular, would the proposed annual requirement for disclosing short-term borrowings information cause a smaller reporting company to collect the same data it would need to collect for interim reporting, such that the expanded level of interim period disclosure proposed for registrants that are not smaller reporting companies would not be unduly burdensome?

    **Response**: Because of the prescriptive nature of the requirements, smaller banks will experience a greater burden to addressing trends that are not necessarily significant to their operations or liquidity.

**Leverage Ratio Disclosure Issues (page 59877)**

32. Should all types of registrants be required to provide leverage ratio disclosure and discussion? Are there differences among industries or types of businesses that would need to be addressed in such a requirement so that it is meaningful to investors? If so, how should "leverage ratio" be defined in this context? Is comparability across companies and industries important, or is the disclosure more meaningful if it is presented in the context of the particular registrant's business?

    **Response**: We have no comment.

33. Rather than extending the leverage ratio disclosure requirement to include all registrants, should we extend it only to other financial institutions or financial services companies? If so, how should the scope of included companies be defined? Would the proposed definition of "financial company" used in proposed Item 303(a)(6) work for this purpose? How should "leverage ratio" be defined in this context? Is there a different metric that would be more useful to investors? Should the ratio include "off-balance sheet" leverage

or off-balance sheet equity adjustments? If so, describe how such a ratio would be calculated. What are the costs and benefits of defining a leverage ratio that would be applicable to all registrants? Where relevant, discuss the usefulness of a standardized ratio requirement given that many users of financial statements make their own calculations.

**Response**: We have no comment.

34. Should bank holding companies be required to include the same level of disclosure of leverage and capital ratios for quarterly financial statements as they do for annual financial statements, rather than quarterly reporting of material changes? Should additional disclosures be required to accompany existing ratio disclosure that would make it more meaningful?

    **Response**: We have no comment.

**Technical Amendments Reflecting FASB Codification**

35. Are there any additional revisions to the provisions of Regulation S-K or Form 20-F affected by the proposal that would be necessary or appropriate to reflect the release by the FASB of its FASB codification?

    **Response**: We have no comment.

**Conforming Amendments to Definition of "Direct Financial Obligation" in Form 8-K**

36. Instead of amending the definition of "direct financial obligation" to refer to proposed Item 303(a)(6), should the category of short-term financings included in the definition of "direct financial obligation" for purposes of Items 2.03 and 2.04 of Form 8-K differ from the standard used in proposed Item 303(a)(6)? Describe how the standards should differ and explain why. For example, should we retain the existing reference to "short-term debt obligation" instead?

    **Response**: We have no comment.

37. Is the proposed definition of short-term borrowings sufficiently tailored so as to exclude borrowing obligations that arise in the ordinary course of business, so that the carve-out in the definition of direct financial obligation is unnecessary? Should the carve-out for obligations that arise in the ordinary course of business be retained, as proposed? Describe the costs and burdens for companies if the carve-out were eliminated, particularly the burden on management to make an assessment of materiality of each short-term borrowing transaction within the filing timeframe. Is current reporting of routine short-term borrowing transactions that are material to the registrant sufficient? Would the new reporting requirements regarding short-term borrowing practices and average borrowings sufficiently improve reporting on this topic, so that Form 8-K reporting of ordinary course short-term borrowings would be unnecessary? Explain why or why not.

    **Response**: We have no comment.

**Transition**

38. Is the proposed transition accommodation appropriate? Should we require all companies to present all required periods at the outset?

    **Response**: We have no comment.

39. Would the proposed transition accommodation be useful for registrants? Is it sufficiently clear? Should we extend it to cover bank holding companies? If so, why?

    **Response**: We believe that many banks (including bank holding companies) will require a one quarter transition in addition to that proposed, if disaggregation is required beyond what is already reported through the Guide 3 standards. For example, detailed daily short-term borrowing analysis and foreign currency disaggregation are not a level at which many banks have implemented systems to provide this information. Further, those institutions, as detailed in our response to question six, that are not currently reporting on a strict daily average basis, will require extra transition time to develop, test, and implement the required systems.

40. Are any other transition accommodations necessary for any aspects of the proposed requirements? Would any of the proposed requirements present any particular difficulty or expense that should be addressed by a transition accommodation? If so, please explain what would be needed and why. For example, should we provide a transition period to allow smaller reporting companies and/or non-bank companies time to set up systems to gather the data for the proposed disclosure? If so, what should that period be?

    **Response**: We have no comment.