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9 February 2011

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

Re: Short-Term Borrowings Disclosure *(S7-22-10)*

Dear Ms. Murphy:

CFA Institute, ("CFA Institute")[1] appreciates the opportunity to submit the following comments regarding the U.S. Securities and Exchange's proposal to enhance disclosure relating to short-term borrowings in a registrant's reports, registration statement and other information statements that include financial statements. CFA Institute represents the views of investment professionals before standard setters, regulatory authorities, and legislative bodies worldwide on issues that affect the practice of financial analysis and investment management, education and licensing requirements for investment professionals, and on issues that affect the efficiency, integrity and accountability of global financial markets.

Executive Summary

Developments over the last three years have shown the value of and need for disclosures that paint realistic views of issuers' financial health. Too often, adherence to the technical letter of the law, or relevant accounting standard, may not reveal the true nature of a company's ongoing financial condition.

Therefore, we support the SEC's proposal to enhance disclosure about a registrant's funding and liquidity sources and uses. Given the technological tools readily available, we believe that the

[1] CFA Institute is a global, not-for-profit professional association of nearly 102,700 investment analysts, advisers, portfolio managers, and other investment professionals in 139 countries, of whom nearly 92,000 hold the Chartered Financial Analyst® (CFA®) designation. The CFA Institute membership also includes 135 member societies in 58 countries and territories.

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costs of providing this information are outweighed by the benefits such data will provide to investors. The fact that the proposed disclosure is currently required for bank holding companies provides an additional level of consistently to financial disclosure. We also believe the SEC's proposed disclosures about short-term borrowings, together with the Financial Accounting Standards Board's new rules for short-term funding transactions, should enhance investors' ability to track leverage and its potential effects on the financial condition of companies.

We agree with the SEC staff that a company's access to short-term borrowings can play a critical component in its liquidity and capital resources. We also agree that simply reporting this information at the end of a reporting period does not necessarily reflect the degree to which a company has relied on such borrowings during that period or the ongoing extent of that reliance over future time periods. While period-end information is helpful, it does not provide investors with a broad enough perspective with which to sufficiently evaluate a company's liquidity risk. We believe that the proposed amendments to the MD&A discussion go a long way toward remedying these shortcomings.

We also agree that the current requirements that only call for general discussions about a company's liquidity and capital resources do not go far enough in providing the kind of short-term borrowing information that investors need. We support, therefore, the proposed requirement that companies provide specific data about short-term borrowing amounts and about the level of such borrowings during the period. This disclosure would generally follow the short-term borrowings information required by Guide 3, which already applies to bank holding companies, and would result in disclosures on the average, maximum month-end, and period-end amounts for short-term borrowings. In essence, this would substantially restore the financial statement disclosure requirement for short-term borrowings that was eliminated in 1994 for financial companies other than bank holding companies. Finally, we concur with the view that technological advances have minimized the burdens for non-bank holding companies to secure and present this data.

Discussion

Proposed New Short-Term Borrowings Disclosure in MD&A

We support the proposed requirement for tabular presentation of information about short-term borrowing, as well as inclusion of a supplemental qualitative discussion of a registrant's borrowings that would address, among other things,

- The average amount of short-term borrowings in specified categories during and at the end of a reporting period, as well as the weighted-average interest rate on such borrowings;

- For "financial companies," the maximum daily amount of short-term borrowings in specified categories during the reporting period; and
- For those not meeting the definition of a "financial company," the maximum month-end amount of short-term borrowings in specified categories during the reporting period.

We agree that a narrative discussion from management should give investors a better understanding of the role that such borrowings play in an issuer's overall financial condition and funding sources. Similarly, knowing the greatest amount of borrowings of an issuer at any time during a reporting period, rather than just the amount of borrowings at period-end, may give investors better insights into the financial health and vulnerabilities of that issuer.

We believe that it is appropriate for non-financial companies only to provide maximum month-end amounts for their short-term borrowings during the reporting period. The lower disclosure requirements relative to financial companies is justified because such issuers' reliance on short-term funding sources is not as great as it is for financial companies. At the same time, the disclosures should be sufficient to alert investors to any increased reliance on such debt by such an issuer.

We appreciate and support the approach taken in this proposal to build flexibility into the definition of "financial company." Having the definition pivot, in part, on a determination of whether during the relevant period a registrant engages to a "significant extent" in the activities of lending, deposit-taking, insurance underwriting or providing investment advice or serving as a broker-dealer allows flexibility to registrants who perform a range of activities, both financial and non-financial.

As proposed, companies could provide separate disclosures about their short-term borrowings for both their financial and non-financial activities. Such issuers would provide investors with an explanation of the breakdowns through footnote disclosures. We believe this approach is especially workable." In particular, this approach would cover entities that are, or are the holding companies for, banks, savings associations, insurance companies, brokers, dealers, business development companies, investment advisers, futures commission merchants, commodity trading advisers, commodity pool operators, or mortgage real estate investment trusts.

Definition of Short-Term Borrowings

Drawing from the categories used in Guide 3 and Rule 9-03 of Regulation S-X to define short-term borrowings, this proposal would classify as short-term borrowings the following: amounts payable for federal funds purchased; repurchase agreements; commercial paper issued; borrowings from banks; borrowings from factors or other financial institutions; overnight deposits; and other short-term borrowings reflected on a registrant's balance sheet.

For purposes of consistency and investor comprehension, continued use of these categories to define short-term borrowings is appropriate.

Treatment of Foreign Private Issuers and Similar Reporting Companies

We support measures to require foreign private issuers, as defined in the proposal, to disclose short-term borrowings in a manner similar to that of U.S. companies. We agree with the rationale that investors also need this type of information from foreign private issuers that are offering investments to U.S. investors.

As proposed, the disclosures required of those issuers would be essentially the same as required of U.S. issuers, with two exceptions. First, a foreign private issuer could rely on the comprehensive set of accounting principles it uses, as long as the degree of disclosure provided is substantially equal in detail to that of U.S. GAAP. Second, disclosure frequency for these issuers generally would mirror the requirements of their home markets. Both of these exceptions seem warranted under the circumstances.

Applicability to Smaller Companies

In general, we would support the proposals to require smaller companies to report on these matters annually (instead of quarterly) so long as such exemptions are limited only to those companies who already are exempt from the Section 404(b) requirements of the Sarbanes-Oxley Act of 2002 ("Section 404(b)"). Our support of this proposal is predicated upon adoption and implementation of suggestions CFA Institute made to the Commission in a letter dated 8 December 2010 regarding the Commission's study, *Study Required by Section 989G(b) of the Dodd-Frank Act Regarding Compliance with Section 404(b) of the Sarbanes-Oxley Act (File No. S7-29-10).* [2]

In that letter, CFA Institute encouraged the Commission to amend the front page of its Forms 10-K and 10-Q for smaller issuers to check a box indicating when they are "exempt from the internal control audit requirements of Section 404(b) of the Sarbanes-Oxley Act." By limiting the reduced reporting requirements proposed here, investors already would be aware that the financial reports from such an issuer are not as thoroughly reviewed or as comprehensive as those of other, larger companies.

For purposes of consistency and comparability, we suggest that the Commission also require non-bank financial companies to report a leverage ratio that is calculated consistently with the formula required by Basel III.

[2] See http://www.cfainstitute.org/Comment%20Letters/20101208_2.pdf.

Conclusion

We appreciate the opportunity to comment on proposed disclosure requirements relating to short-term borrowings. The increase in leverage for systemically significant financial institutions, in particular through the use of short-term borrowings, has made it critical that investors be made aware of such practices. We believe that many of these proposals would provide investors with the substantive information they deserve and need. Should you have any questions about our positions, please do not hesitate to contact Kurt N. Schacht, CFA at kurt.schacht@cfainstitute.org or 212.756.7728; or Linda L. Rittenhouse at linda.rittenhouse@cfainstitute.org or 434.951.5333.

Sincerely,

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