BRACEWELL

INSIGHTS

SEC Proposes Rules to Update Statistical Disclosure Requirements for Bank and Savings and Loan Registrants

September 24, 2019

*By: **William S. Anderson**, **Jason M. Jean**, **Troy L. Harder**, and **Andrew W. Monk***

On September 17, 2019, the Securities and Exchange Commission (the "SEC") proposed rules that would update the statistical disclosures provided by banking registrants in response to Industry Guide 3, *Statistical Disclosure by Bank Holding Companies* ("Guide 3"). The proposal results from the SEC's request for comment on possible changes to Guide 3, which was published on March 1, 2017.

If promulgated, the proposed rules would include updates to existing Guide 3 disclosure requirements, as well as the elimination of certain Guide 3 disclosures that overlap with existing SEC rules, U.S. Generally Accepted Accounting Principles ("U.S. GAAP") or International Financial Reporting Standards ("IFRS"). The proposed rules would be codified in a new subpart of Regulation S-K and would replace Guide 3.

The rules proposed by the SEC would, among other things:

- Reduce the reporting periods under existing Guide 3 requirements by defining the "reported period" to mean each annual period required by SEC rules for a registrant's financial statements;

- Eliminate the requirements to disclose investment portfolio book value information, maturity analysis of book value information and the disclosures relating to investments exceeding 10% of stockholders' equity;

- Eliminate certain of the loan portfolio disclosure requirements currently called for by Guide 3, including the loan category disclosure called for by Item III.A, the loan portfolio risk elements disclosure called for by Item III.C and the other interest-bearing assets disclosure called for by Item III.D;

- Modify the disclosure requirements for categories of loans subject to loan maturity and interest rate sensitivity to more closely conform with those required by U.S. GAAP or IFRS in the registrant's financial statements;

- Eliminate the analysis of loss experience disclosure currently called for by Item IV.A of Guide 3;
- Codify the disclosure of ratio of net charge-offs during the period to average loans outstanding on a more disaggregated basis than the current Guide 3 disclosure, based on the loan categories required to be disclosed in the registrant's financial statements;
- Codify the breakdown of the allowance disclosures called for by Item IV.B of Guide 3 based on the loan categories included in the registrant's financial statements instead of the loan categories currently listed by Item IV.B;
- Require disclosure of the following credit ratios by loan category disclosed in the financial statements, along with the components used in their calculation: (i) allowance for credit losses to total loans, (ii) nonaccrual loans to total loans, (iii) allowance for credit losses to nonaccrual loans and (iv) net charge-offs to average loans, as well as a discussion of the factors that drove material changes in such credit ratios during the periods presented;
- Codify the majority of existing deposit related disclosures called for by Item V of Guide 3, with some revisions, including a requirement to disclose information regarding uninsured deposits and information about time deposits in excess of the FDIC insurance limits;
- Eliminate the return on asset, return on equity, dividend payout ratio and equity to assets ratio disclosures currently called for by Item VI of Guide 3; and
- Eliminate the short-term borrowing disclosures currently called for by Item VII of Guide 3 and replacing such requirements with the disclosure of the average balance and related average rate paid for each major category of interest-bearing liabilities.

The SEC is requesting comments on the proposed rules, which will be due 60 days after the publication of its proposal in the *Federal Register*.