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SEC Seeks Feedback on Possible Changes to Disclosure Requirements for Registrants in the Financial Services Industry

The Bottom Line

- On March 1, 2017, the SEC issued a [request for comment](#)¹ (the “release”) on potential changes to Industry Guide 3, *Statistical Disclosure by Bank Holding Companies* (“Guide 3”).
- The purpose of the release is to determine whether, given the changes in the financial services industry since Guide 3 was issued and last updated, it continues to elicit from registrants disclosures that investors need to make informed investment decisions.
- The release contains numerous questions for constituents, the majority of which are intended to solicit feedback about (1) the current disclosure requirements in Guide 3, (2) the need for new disclosures, and (3) the applicability of the disclosures to registrants *other than* bank holding companies.
- Comments on the release are due by May 8, 2017.

¹ SEC Release No. 33-10321, *Request for Comment on Possible Changes to Industry Guide 3 (Statistical Disclosure by Bank Holding Companies)*.

Beyond the Bottom Line

This *Financial Services Spotlight* provides an overview of the release and discusses the feedback sought by the SEC on improvements to Guide 3.

Background

Initially published in 1976 and last updated in 1986, Guide 3 was intended to elicit information about a bank holding company's sources of income and exposure to risk that an investor needs to assess the company's future earnings potential.

Because of significant changes in the industry and in other disclosure requirements since Guide 3 was first published and updated, the Commission is requesting feedback on potential improvements to the guide's disclosure requirements, including whether the SEC should require new or revised disclosures or eliminate those that are duplicative or overlap with existing rules and requirements. The SEC also seeks input on the scope and applicability of Guide 3 and whether its disclosure requirements should apply to financial services industry registrants *other than* bank holding companies.

The release is another step in the SEC's ongoing disclosure effectiveness initiative, which is a broad-based review of the Commission's disclosure, presentation, and delivery requirements for public companies. For more information about the initiative, see the [SEC's Disclosure Effectiveness Spotlight page](#).

What's Covered

The 86-page release, which includes a comprehensive discussion of the disclosures currently required under Guide 3 and other literature, contains 112 groups of questions intended to elicit feedback on:

- *The current disclosure requirements in Guide 3* — The SEC is seeking feedback on the current disclosure requirements in Guide 3 and how they can be improved. In addition, the SEC is asking constituents to provide input on the interaction between Guide 3's disclosure requirements and other guidance such as U.S. GAAP, other Commission rules (e.g., Regulation S-K), and information from other sources (e.g., Call Reports² and Pillar 3 disclosures³).
- *Potential new disclosures* — The SEC seeks feedback on whether to require new disclosures, including whether:
 - There are activities not covered by Guide 3 for which disclosure should be required (e.g., commodities, asset management, or broker-dealer activities).
 - To expand Guide 3 to include disclosures of non-interest-income activities (e.g. trading revenue, fee income from deposits, and servicing income).
 - Rules or guidance are needed related to non-financial-statement disclosures (e.g., risk management disclosures).
- *The applicability of Guide 3 to registrants other than bank holding companies* — Currently, Guide 3 applies only to bank holding companies and registrants with "material lending and deposit activities."⁴ The SEC seeks feedback on whether the disclosure requirements in Guide 3 should apply to others in the financial services industry, including marketplace lenders, insurance companies, and real estate investment trusts, which often have material investment portfolios and lending activities.

² Consolidated Reports of Condition and Income (known as Call Reports) must be filed quarterly by regulated banking organizations.

³ Pillar 3 disclosure requirements apply to banking organizations with \$50 billion or more in total assets and are intended to allow market participants to evaluate an organization's capital adequacy.

⁴ See SEC Staff Accounting Bulletin Topic 11.K, "Application of Article 9 and Guide 3."

In addition, the SEC seeks input on (1) the general applicability of Guide 3 to foreign private issuers that are banking organizations and (2) the reporting periods required for Guide 3, including the use of scaled disclosures.⁵

Next Steps

This request for comment is an early but important step in the SEC's rulemaking process. The Commission is interested in feedback from investors, companies, and other market participants. It encourages all types of feedback and does not require a specific type of format for the submission of comments. For example, some commenters may choose to present their views in a narrative format without any reference to specific questions posed by the SEC, and others may choose to answer all, or only some, of the specific questions.

Comments are due by May 8, 2017.

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⁵ General Instruction 3 to Guide 3 requires registrants with less than \$200 million in total assets or less than \$10 million of equity to provide disclosures for each of the past two fiscal years instead of each of the past three or five years.

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