



Update of Statistical Disclosures for Bank and Savings and Loan Registrants

Final Rule Issued:
September 11, 2020

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SEC Update of Statistical Disclosures for Bank and Savings and Loan Registrants

- Background
 - In March 2017, the SEC began exploring possible changes to Guide 3, *Statistical Disclosures for Bank Holding Companies*. Proposed rules were announced by the SEC in September 2019. On September 11, 2020, the SEC issued a final rule concerning an update of its statistical disclosure requirements for banking registrants.
- Purpose
 - Expand and update the disclosures registrants are required to provide (Guide 3 had not been updated in more than 30 years)
 - Codify certain Guide 3 disclosures
 - As issued in 1976 and subsequently amended, Guide 3 represents the policies and practices followed by Division of Corporation Finance. This update will also codify these requirements as rules.
 - Eliminate other Guide 3 disclosure items that overlap with SEC rules, U.S. GAAP, IFRS



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SEC Update of Statistical Disclosures for Bank and Savings and Loan Registrants

- Effective date
 - Final rules are effective 30 days after publication in the federal register and apply to fiscal years ending on or after December 15, 2021
 - Registrants filing initial registration statements are not required to apply the final rules until an initial registration statement is first filed containing financial statements for a period on or after December 15, 2021
 - **Registrants may early adopt provided the final rules are applied in their entirety**
 - Guide 3 is officially rescinded effective January 1, 2023
- Codification of rules
 - Included in a new Subpart 1400 of Regulation S-K, applicable to banks, bank holding companies, savings and loan associations, and savings and loan holding companies (17 CFR 229.1401 – 17 CFR 229.1406)
 - Applicable to both domestic and foreign registrants

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Item 1401: General Instructions

- Eliminates the following Guide 3 disclosures
 - Reported periods as previously defined
- Codifies the following
 - **Reported periods are aligned with financial statement requirements**
 - Two years of balance sheet related disclosures
 - Three years of income statement related disclosures, unless the registrant is a smaller reporting company or emerging growth company, which would reduce the reporting to two years
 - Slight modification to the current interim period instructions
 - Clarify that the threshold to include additional interim period is **based on whether there has been a material change in the information or the trend evidenced thereby**
 - Registrants are required to use daily averages unless otherwise indicated. Registrants may use weekly or month-end averages where the collection of data on a daily average basis would involve unwarranted or undue burden or expense.

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Item 1402: Distribution of Assets, Liabilities, and Stockholders' Equity; Interest Rates and Interest Differential

- Codifies the following
 - All average balance sheet, interest, and yield/rate analysis and rate/volume analysis disclosure items currently included in Item I of Guide 3
 - Average balances of interest earning assets and interest bearing liabilities
 - Average yields earned and rates paid for each major category (and in the aggregate) for interest earning assets and interest bearing liabilities
 - Net interest margin
 - Rate/volume analysis
 - Dollar change in interest income/expense
 - Amounts attributable to changes in rate and volume
 - **Must disaggregate the following**
 - Federal funds sold and securities purchased under agreement to resell
 - Federal funds purchased and securities sold under agreement to repurchase
 - Commercial paper

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Item 1403: Investment Portfolio

- Eliminates the following Guide 3 disclosures
 - Book value information
 - Maturity analysis of book value information
 - Disclosures related to investments exceeding 10% of stockholders' equity
- Codifies the following
 - Weighted average yield (by category of debt security) for each range of maturities required to be disclosed in the registrant's GAAP financial statements
 - Applicable only for debt securities not carried at fair value through earnings
 - Required to disclose how the weighted average yield was calculated and whether yields on tax-exempt obligations have been computed on a tax-equivalent basis

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Item 1404: Loan Portfolio

- Eliminates the following Guide 3 disclosures
 - Loan portfolio category disclosures (e.g. real estate, construction, commercial, etc.)
 - Loan portfolio risk elements (e.g. nonaccrual, past due, and restructured loans)
 - Other interest-bearing assets (as if such assets were loans)
- Codifies the following
 - Maturities (contractual) by loan **portfolio categories that are consistent with the GAAP financials**
 - One year or less, after one year through five years, **after five years through 15 years, after 15 years**
 - Clarify the “rollover policy”
 - If non-contractual rollovers or extensions are included for measuring the allowance for credit losses, then should be treated consistently for maturities classification and disclosed.



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Item 1404: Loan Portfolio

- Codifies the following (continued)
 - Total amount of loans **(by GAAP financial statement category)** due after one year and further disaggregated by loans with
 - Predetermined (fixed) interest rates
 - Floating or adjustable interest rates



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Item 1405: Allowance for Credit Losses

- Eliminates the following Guide 3 disclosures
 - Consolidated ratio of net charge-offs to average loans outstanding
 - Allowance rollforward, including gross charge-off and recovery experience by period
- Codifies the following
 - Ratios of net charge-offs to average loans outstanding **(on a disaggregated basis by the loan categories disclosed in the GAAP financials)**
 - Tabular breakdown of the allocation of the allowance **by the loan categories presented in GAAP financials (also eliminates the option for a narrative disclosure)**
 - **Disclosure of certain credit ratios on a consolidated portfolio basis, along with each of the components used in the calculations**
 - Allowance for Credit Losses to Total Loans
 - Nonaccrual Loans to Total Loans
 - Allowance for Credit Losses to Nonaccrual Loans

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Item 1405: Allowance for Credit Losses

- Codifies the following (continued)
 - **Must disclose the factors that drove material changes in the ratios on the previous slides, or related components, during the periods presented**
 - **Credit ratios are required for each annual period for which SEC rules require financial statements and any additional interim period if there were material changes in the information or trends evidenced thereby**

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Item 1406: Deposits

- The final rule defines uninsured deposits as, "the portion of deposit accounts in U.S. offices that exceed the FDIC insurance limit or similar state deposit insurance regimes and amounts in any other uninsured investment or deposit accounts that are classified as deposits and not subject to any federal or state deposit insurance regimes."
- Codifies the following
 - Separate presentation of the average amount of and average rate paid on deposit categories (noninterest bearing demand, interest bearing demand, savings, time, and other) in excess of 10% of average total deposits (generally accomplished by disclosures codified in item 1402)
 - Disclosure of time deposits **in excess of the FDIC insurance limit**
 - **Time deposits that are otherwise uninsured by maturity category** (three months or less, over three through six months, over six through 12 months, and over 12 months)

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Additional Existing Disclosures Not Codified

- Performance ratios not required
 - Return on equity
 - Return on assets
 - Dividend payout ratio
 - Equity to assets ratio
 - ❖ Existing guidance on MD&A requires registrants to identify and discuss key performance measures when they are used to manage the business and are material to investors, which may include the above ratios, i.e. even though not codified a registrant in the banking industry may continue to present these ratios.
- Short-term borrowings disclosures
 - The maximum amount of borrowings in each short-term category outstanding at any month-end during each reported period
 - The amount of borrowings outstanding at the end of the reported periods and the weighted average interest rate thereon at period end

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