

November 24, 2010

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: File No. S7-22-10 Short-Term Borrowings Disclosure

Dear Ms. Murphy:

Deloitte & Touche LLP is pleased to respond to the request for comment on the Proposed Rule on *Short-Term Borrowings Disclosure* (the Proposal or the Proposed Rule), issued by the Securities and Exchange Commission (the SEC or the Commission).

We support the efforts of the Commission to promote high quality, transparent disclosure about registrants' liquidity and capital resources. As part of these efforts, we appreciate the SEC's recent Interpretive Release on the *Presentation of Liquidity and Capital Resources Disclosures in Management's Discussion and Analysis (MD&A)*, which coupled with the underlying principles and objectives of Item 303 of Regulation S-K (MD&A) will help practice achieve the Commission's overall goal of improving the discussion of liquidity and capital resources in MD&A.

We recommend the Commission consider the following observations relating to specific aspects of the Proposal. In addition, we urge the Commission to focus on input from investors and registrants to understand the usefulness of the proposed disclosures to investors and the associated costs to registrants and ensure the costs do not outweigh the benefits.

Proposed New Short-Term Borrowings Disclosure in MD&A

We encourage the Commission to consider providing additional guidance and clarity around the definition, categories, and disaggregation of short term borrowings and the scope and thresholds of the proposed disclosures as discussed in more detail below.

Definition of Short-Term Borrowings

The definition of short-term borrowing set forth in the Proposed Rule relies heavily upon the classification on the balance sheet, in accordance with Regulation S-X, of an amount as a current obligation. Based on the discussion in the Background and Summary section of the Proposed Rule, the Commission's concern around liquidity disclosures appears broader in nature. There appears to be a potential for confusion between the definition of short-term borrowings and the expectation of the Commission set forth in the Background and Summary section of the Proposal, as well as public statements made by the staff. For example, a company may present a contractual short term obligation as a long-term (non-current) liability if it intends to, and has the ability to, refinance the obligation on a long-term basis. In addition, some companies may

frequently borrow and repay under long-term financing arrangements, such as lines of credit. Because they are not contractually obligated to repay the borrowings within one year, the line of credit would be reflected as long-term; however, the registrant has both the ability and intent, and historical practice, of using the line of credit in a manner much more similar to a short-term borrowing arrangement. Additionally, for registrants that do not present a classified balance sheet it may be unclear how to apply the definition.

Definition of “Any Other Short-Term Borrowings on the Registrant’s Balance Sheet”

As described in the Proposed Rule, the category “any other short-term borrowings reflected on the registrant’s balance sheet” is based upon the balance sheet line item “other short-term borrowings” pursuant to Regulation S-X, Article 9-03.13(3), and would include amounts reflected on the balance sheet as a short-term borrowing that do not fall into one of the other proposed categories outlined in the “short-term borrowings” proposed definition. In addition, the Proposed Rule would extend the Industry Guide 3, *Statistical Disclosure By Bank Holding Companies*, (“Guide 3”) disclosure requirements to entities that are not bank-holding companies or were not previously providing such information. Therefore, for entities that do not follow Article 9, it may be unclear as to what amounts reflected on the balance sheet should fall within this category, as the Proposed Rule does not provide a specific definition.

Categories – Repurchase Agreements

The Proposal clearly states that one of the categories to be disclosed is “federal funds purchased and securities sold under agreements to repurchase”. It is unclear, however, whether the Proposed Rule intends to capture similar economic transactions, such as securities lending transactions, within this category, a different category, or at all. For example, securities lending transactions have not been typically grouped on the balance sheet with other short-term borrowings or included in Guide 3 disclosures.

Disaggregation

The Proposed Rule indicates that a registrant should consider disaggregating the specified categories of short-term borrowings when providing the short-term borrowings disclosures “to the extent... necessary to promote understanding or to prevent aggregate amounts from being misleading.” It cites examples of when a registrant may want to disaggregate, such as for large fluctuations in interest rates, foreign currency differences (for example, foreign and U.S. dollar-denominated borrowings), and differences in level of collateralization (for example, potentially bifurcating agreements into those that are collateralized by U.S. treasuries from those that are collateralized by other assets). It may be useful for the Commission to provide registrants with additional guidance to help understand the circumstances in which disaggregation of short term borrowings is meaningful. For example:

- Whether a registrant that discloses more than one reportable segment in its financial statements should also consider disclosing short-term borrowings by segment in accordance with Regulation S-K, Item 303(a).

- Whether a registrant that consolidates one or more variable interest entities (VIEs) in accordance with ASC 810-10 should consider disaggregating short-term borrowings related to the VIE, separate and apart from that related to the registrant and its consolidated voting interest entities.

Scope and Thresholds of the Proposed Disclosures

The Commission notes in the Proposal its desire to ease the compliance burden of disclosure in light of materiality. We encourage the Commission to consider input from registrants and investors on whether a threshold should be applied by registrants to determine whether they may be scoped out of the disclosure requirements. For example, if a registrant's monthly short-term borrowings are not materially different from its reported short-term borrowings at any period end, is the qualitative and quantitative disclosure required by the Proposal necessary, or could narrative disclosure of that fact accomplish the Commissions' objective?

In addition, Guide 3 currently allows bank holding companies to disclose average balance information on a weekly or monthly basis, when collecting daily information "would involve unwarranted or undue burden or expense...provided such averages are representative of the operations of the registrant." We encourage the Commission to consider comments submitted by registrants regarding the cost to comply with the Proposal, and determine whether a similar practicality provision to that outlined above, should be provided to all registrants.

Reporting Periods

There are several areas that fall under the Proposal's section on "Reporting Periods", where the proposed amendments to the regulations as currently drafted may create implementation questions. We note the following examples where additional clarification may be useful:

- Proposed Instruction 8 to Paragraph 303(b) (Proposed Instruction 8) refers to interim periods required by Article 3 of Regulation S-X. While this proposed instruction may be appropriate for registration statements, the requirements for financial statements to be included in a Form 10-Q do not refer to Article 3. Absent other changes to the regulations, it is unclear how the Form 10-Q requirements are being modified to require interim short-term borrowing disclosures.
- Proposed Instruction 8 requires disclosure for the "most recent interim period presented". Given that a Form 10-Q may have two recent interim periods being presented, the quarter to date and year to date information, and a registration statement only requires the year to date information, it is unclear how to interpret this portion of Proposed Instruction 8 for both periodic reports and registration statements.
- It is unclear what, if any, interim period short-term borrowing disclosure is required in a registration statement filed by a domestic registrant, whether for an initial public offering, or one being filed by an existing registrant, that is not required under Article 3 to include any interim financial statements. For example, if only annual periods are required to be presented in a registration statement, would the fourth quarter disclosures also be

required to be included in the registration statement similar to the Proposed Rule's requirement for fourth quarter disclosures in annual reports on Form 10-K?

- The Proposed Rule appears to intend that a foreign private issuer that is required under existing Form 20-F requirements to include interim financial statements in a registration statement also provide interim short-term borrowings disclosures. However, Proposed Item 5.H.5 of Form 20-F refers only to fiscal years, not interim periods, and does not clearly express this requirement.

Foreign Private Issuers

We understand that certain proposed information is not currently required by banking regulators in certain foreign jurisdictions. Therefore, we understand that certain foreign private issuers that meet the definition of a finance company may presently be unable to disclose the daily maximum balances for each short term borrowing category as well as the daily interest rate and average balances and that the preparation of comparative data may also be challenging. Therefore, we encourage the Commission to consider input from foreign private issuers, particularly concerning whether specific transition guidelines should be provided for foreign private issuers.

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We appreciate the opportunity to comment on the Proposal. If you would like to discuss any of our comments, please feel free to contact William Platt at (203) 761-3755 or Christine Davine at (202) 879-4905.

Sincerely,

Deloitte & Touche LLP

cc: SEC

Chairman Mary Schapiro

Commissioner Luis Aguilar

Commissioner Kathleen L. Casey

Commissioner Troy Paredes

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James L. Kroeker, Chief Accountant, Office of the Chief Accountant

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