

SEC Considering Enhanced Accounting Disclosures for Financial Institutions

At a hearing of the House Committee on Financial Services, Mary Schapiro, Chairwoman of the Securities and Exchange Commission (the "SEC"), announced that the SEC is considering whether to enact new rules that would prevent financial institutions from using certain accounting methods to hide debt, or temporarily lower risk, immediately prior to releasing their SEC reports. Specifically, the SEC would impose enhanced disclosure requirements on financial institutions and would take a more definite stance on certain accounting methods being considered acts of "deception" under the SEC rules. For example, the SEC is considering expanding the requirement to disclose average debt balances on annual reports from bank holding companies to all financial institutions with such disclosure being required quarterly rather than annually. Although reporting institutions must already disclose any transactions which temporarily reduce debt or increase liquidity at quarter end, the new rules could require institutions to disclose more detailed information about their intra-period levels of debt and liquidity, the end goal being to give shareholders a clear understanding of the institution's actual debt level at any given time.

The SEC's consideration comes on the heels of the release of a bankruptcy examiner's report on Lehman Brothers, indicating that, prior to its collapse, Lehman Brothers treated certain loans as sales in order to reduce its quarter-end debt levels. While the SEC has not indicated when it may formally release any proposed rules or what form those proposed rules may take, reporting institutions should simply be aware that they could be subjected to enhanced reporting requirements in the near future.

On a related note, although impending financial regulatory reform still looms, the Finance Bill was stalled in the Senate on Monday when Democrats fell three votes short of the sixty votes necessary to begin debate on the bill. For more information concerning the proposed reforms, please reference our previous alert: [Financial Regulatory Reform: Coming Soon](#).

If you have any questions relating to this alert, please feel free to contact [Lance Bridgesmith](#), [Mike Marshall](#), [Beth Sims](#), [Clint Cromwell](#), or [Drew Oldham](#) at Miller & Martin, PLLC.

The opinions expressed in this bulletin are intended for general guidance only. They are not intended as recommendations for specific situations. As always, readers should consult a qualified attorney for specific legal guidance. Should you need assistance from a Miller & Martin attorney, please call 1-800-275-7303.

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