



<p>HORNE BANKERS' FORUM 2011</p>	
	<p>AICPA Bank & Savings Conference Highlights</p> <p>RUSTY BUTCHER, CPA / Partner, Firmwide Director of Financial Institutions</p>

<p>Securities and Exchange Update – James Kroeker</p> <ul style="list-style-type: none">▪ SEC Consultations<ul style="list-style-type: none">▪ Can be done either pre-filing or post-filing<ul style="list-style-type: none">▪ Don't opinion shop▪ Mute button only works one-way▪ IFRS Convergence<ul style="list-style-type: none">▪ Exploratory paper issued by SEC in May 2011▪ 140 comments received to date<ul style="list-style-type: none">▪ Great disparity in comments▪ Middle ground is the median▪ Inconsistencies being noted within IFRS application – sovereign debt example<ul style="list-style-type: none">▪ Calls into questions audit firm networks▪ SEC is not ready to give their decision	
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Securities and Exchange Update cont. – James Kroeker

- PCAOB Agenda being reviewed by SEC. Topics for consideration include the following:
 - MD&A involvement of auditors
 - Required use of explanatory paragraphs
 - Auditor discussion and analysis
 - Audit firm rotation
 - Naming of audit partner

SEC Corporate Finance Update – Craig Olinger

- Best Practices for resolving comment letter issues:
 - Do not assume the staff disagrees with the accounting treatment
 - Key the response to the initial comment
 - Discuss supporting authoritative literature in detail
 - Ask for an extension for response if needed
 - Call the staff if you don't fully understand the question
 - Document accounting decisions contemporaneously

SEC Corporate Finance Update cont. – Craig Olinger

- Common Financial Institution Comment Letter Matters:
 - Asset quality issues – 2nd lien loans, TDRs and modifications
 - Credit loss disclosure – ASU 2010-20
 - Transfer of non-performing assets off balance sheet
 - Transfers to/from held-to-maturity portfolio
 - Loss contingencies
 - Sovereign debt exposures

Office of Comptroller of Currency Comments – Kathy Murphy

Top 5 Accounting Questions to OCC's Office of Chief Accountant

1. ALLL – appropriateness for all product lines, particularly CRE, residential mortgage and home equity lines
2. TDRs – when do we have a TDR and what is the impairment
3. ORE – accounting for expenditures and dispositions
4. Business Combinations – accounting for ASC 310-30 loans (Day 2) and loss share agreements
5. Securities Impairment – OTTI with a current focus on municipal concentrations

Federal Reserve Board Comments – Steve Merriett

- BASEL III will require gains and losses on securities to be considered for regulatory capital
 - HTM classification could go away
- Regulatory capital could become much more volatile
- Community Banks are expressing significant concern over BASEL III

FDIC Comments – Bob Storch

- Deposit Insurance Fund went positive in 6/11
 - First time since 9/09
 - Targeting 1.35% of insured deposits
- Compensation Arrangements
 - Section 956 of DFA applies only to institutions with assets over \$1B
 - Proposed Rule issues 4/14/11
 - Comment period ended 5/31/11
 - Storch was not appreciative of “form letter” comments
 - Deferral and holdback of compensation for institutions over \$50B

FDIC Comments cont. – Bob Storch

- Core versus Brokered Deposits Study Results, as required by DFA
 - Core deposits are significantly correlated with lower probability of failure and lower loss to FDIC in event of failure
 - Brokered deposits are significantly correlated with lower capital levels
 - Statute restrictions on use of brokered deposits has been beneficial in most recent economic cycle
 - No amendments to brokered deposit statute recommended

- Auditor Independence
 - Reminder that institutions over \$500M in assets must comply with SEC independence and auditor rotation guidelines

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RUSTY BUTCHER, CPA / Partner, Firmwide Director of Financial Institutions



Rusty Butcher, CPA
Partner
Main: 901.759.7360
Direct: 901.759.7361
rusty.butcher@horne-llp.com

Rusty leads the financial institutions practice for HORNE and serves numerous financial services clients. Rusty has more than 10 years experience serving financial institutions clients in an internal and external audit capacity. He attended the Paul W. Barret Junior School of Banking. Rusty is a regular speaker at the Federal Bureau of Investigation for their continuing professional education program speaking on internal control best practices.

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