

elliott davis

Financial Services Quarterly Accounting and Reporting Update 1st Quarter

April 4, 2024

Disclaimer

This material was used by Elliott Davis during an oral presentation; it is not a complete record of the discussion. This presentation is for informational purposes and does not contain or convey specific advice. It should not be used or relied upon regarding any situation or circumstances without first consulting the appropriate advisor. No part of the presentation may be circulated, quoted, or reproduced for distribution without prior written approval from Elliott Davis.

Before We Begin

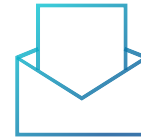


In the handouts section:

- Copy of the slides
- Speaker Biographies



Submit your questions anytime using the Q&A function in the control panel



For CPE credit, you must attend a minimum of 50 minutes and respond to a minimum of 3 polls.
Certificates will be emailed within 30 days by our IT Department.

****PLEASE ADD**

CPECERTIFICATES@ELLIOTTDAVIS.COM

AS A CONTACT!**



The recording will be available on our website.

TODAY'S PRESENTERS



JOSH WHITE, CPA, CFIRS

SHAREHOLDER
Financial Services Group Practice Leader

Direct: 919.987.2760
Josh.White@elliotttdavis.com



MARQUET HANSEN, CPA

SENIOR MANAGER
Financial Services Group

Direct: 864.552.4770
Marquet.Hansen@elliotttdavis.com



MORGAN BARR, CPA

MANAGER
Financial Services Group

Direct: 864.370.5608
Morgan.Barr@elliotttdavis.com

Agenda

- SEC's Final Climate Rule
- Recent SEC Comment Letters

Final Climate Rule – How Did We Get Here?

- March 2021 – SEC solicits public input on climate related disclosures
- March 2022 – Proposed rules are issued. Over 4,500 comment letters received.
- March 2022 to February 2024 – Will this rule pass or is the SEC just going to sit on it?
- March 6, 2024 – Final rule passes

Final Climate Rule – What is Required?

- Key differences from the proposed rule:
 - Simplified financial statement disclosures
 - Less requirements for greenhouse gas (GHG) emissions disclosures
 - Extended phase-in periods

Final Climate Rule – Who is in Scope?

- All US registrants, including companies filing registration statements/IPOs

	Large Accelerated and Accelerated Filers	Non-Accelerated Filers, Smaller Reporting Companies (SRCs), and Emerging Growth Companies (EGCs)
Climate Risk Disclosures	✓	✓
Financial Statements	✓	✓
GHG Emissions	✓	

Final Climate Rule – Disclosures

- Disclose in notes to the financial statements, qualitative and quantitative of information on:
 - Severe weather events and other natural conditions
 - Material effects on financial estimates/assumptions
 - Carbon offsets and renewable energy credits
- Disclose in climate-related disclosure section of annual report/registration statement
 - Scope 1 and Scope 2 GHG emissions, if material (large accelerated and accelerated)
 - Climate risks

Final Climate Rule – GHG Emissions

- Scope 1 – emissions the company makes directly (owned or controlled sources)
- Scope 2 – emissions the company makes indirectly (emissions consumed)
- Scope 3 – emissions the company is indirectly responsible for in their value chain and products (would include loans and investments)
 - Not in final rule – initially in the proposed rule

Final Climate Rule – Controls

- Required note disclosures would be subject to ICFR under 404(b)
- All disclosures would be subject to disclosure controls
- Assurance will be required over GHG emission (Scope 1 and 2) for large accelerated and accelerated (non-SRC and EGC) filers

Final Climate Rule – Effective Dates

	Large Accelerated	Accelerated	Non-Accelerated, SRC, and EGC
Financial statement disclosures	2025	2026	2027
Climate risk disclosures (annual report)			
Climate risk disclosures	2025	2026	2027
Specific quantitative disclosures	2026	2027	2028
GHG emissions			
Scope 1 and Scope 2	2026	2028	N/A
Limited assurance	2029	2031	N/A
Reasonable assurance	2033	N/A	N/A
Inline XBRL	2026	2026	2027

Recent SEC Comment Letters

- Commercial real estate
- Liquidity
- Non-GAAP
- Interest Rate Risk/Other

Recent SEC Comment Letters – CRE

- CRE related comments have been the most prevalent over the past 6 months
- Disaggregation of CRE by borrower type (e.g. office, multi-family, hotel, etc), geographic concentrations, and other characteristics (e.g. LTV, occupancy rates, etc.)
- Describe specific details on commercial real estate risk management policies, procedures, or other actions undertaken in response to the current environment

Recent SEC Comment Letters – Liquidity

- Details on brokered deposits, including how obtained, the maturity/holding period, reasons for the changes in balances and composition of these deposits.
- If deposit concentrations exist, explain how those concentrations are distributed across deposit types/line items.
- Further details on changes in deposit mix over time, including deposit base
- Material liquidity policy guidelines or limits (including deposit limits)
- Expanded discussion on contingency funding plan
- Tabular disclosure on sources of liquidity

Recent SEC Comment Letters – Non-GAAP

- Inconsistent presentation on securities losses included in non-GAAP measures
- Adjusted tangible common equity and related ratios (removing AOCI)

Recent SEC Comment Letters – IRR/Other

- Earnings call discussion points about bank strategy, including balance sheet repositioning that are not discussed in 10-Q/K
- Inclusion of IRR-related disclosures in 10-Q filings, not just 10-K
- Further details on how assumptions are derived that impact interest rate risk disclosures in 10-K

elliott davis

Questions?

elliott davis

Upcoming Financial Services Group Webinars

Register for these & all other
Elliott Davis webinars at
www.elliottdavis.com/events

May 09, 2024

Elliott Davis/VACB Risk Management Seminar*

June 27, 2024

FSG Quarterly Accounting & Reporting Update Q2

July 11, 2024

FSG BSA and Regulatory Compliance Webinar

August 15, 2024

FSG CECL Webinar

September 12, 2024

FSG Alternative Investments Webinar

September 26, 2024

FSG Quarterly Accounting & Reporting Update Q3

October 23, 2024

FSG Credit Risk Webinar

*To register for the May 9th webinar, please visit the Virginia Association of Community Banks website at www.vacb.org

STAY IN TOUCH

Marquet Hansen, CPA
Senior Manager

Financial Services Group

864.558.4770

Marquet.Hansen@elliottdavis.com

Josh White, CPA, CFIRS
Shareholder

Financial Services Group Practice Leader

919.987.2760

Josh.White@elliottdavis.com

Morgan Barr, CPA
Manager

Financial Services Group

864.370.5608

Morgan.Barr@elliottdavis.com



5410 Trinity Road
Suite 320
Raleigh, NC 27607

Direct: 919.987.2760
Office: 919.783.7073

josh.white@elliottdavis.com

Josh White, CPA, CFIRS

Shareholder

Services: Assurance | **Emphasis:** Financial Services

Professional Overview

Josh serves as the Specialty Group Leader for the firm's Financial Services Group (FSG). This role is focused on leading the strategic direction of FSG.

In addition, Josh works with customers including both public and private banks and trust companies. He assists these customers with financial statement audits, internal control over financial reporting audits (Sarbanes-Oxley and FDICIA), and internal audit engagements. Josh has experience working with financial institutions on SEC reporting, including public offerings and secondary offerings, denovo bank formation, and the accounting for mergers and acquisitions. In addition, as a Certified Fiduciary and Investment Risk Specialist (CFIRS), Josh works with the majority of the firm's trust customers.

Education, Credentials, and Special Training

Certified Public Accountant
Certified Fiduciary and Investment Risk Specialist
M.S., Accounting, North Carolina State University
B.S., Accounting, North Carolina State University

Professional Affiliations

American Institute of Certified Public Accountants
North Carolina Association of Certified Public Accountants

Civic and Community Activities

Past Member of Board of Directors, Me Fine Foundation
Past Advisory Board Member, Bankers' Affinity Group



355 South Main Street
Suite 500
Greenville, SC 29601

Direct: 864.552.4770
Office: 864.242.3370

marquet.hansen@elliottdavis.com

Marquet Hansen, CPA

Senior Manager

Services: Assurance | **Emphasis:** Financial Services

Professional Overview

Marquet has nearly a decade of public accounting experience and focuses on serving financial institutions. She has provided assurance and advisory services to institutions that range from mid-sized community banks to multi-billion-dollar regional entities. Marquet's experience includes both SEC registrants and private institutions.

Marquet has experience with PCAOB and AICPA financial statement audits, integrated internal control audits (SOX and FDICIA), HUD audits, outsourced SOX/FDICIA testing, and internal audits. Additionally, she has experience with internal control identification/implementation, financial reporting assistance, loan file reviews, CECL validations, and other agreed upon procedures engagements with financial services companies.

Education, Credentials, and Special Training

Certified Public Accountant
Master of Professional Accountancy, Clemson University
B.S., Financial Management, *summa cum laude*, Clemson University

Professional Affiliations

American Institute of Certified Public Accountants
South Carolina Association of Certified Public Accountants

Civic and Community Activities

Greenville Humane Society, Board Member



355 South Main Street
Suite 500
Greenville, SC 29601

Direct: 864.370.5608
Office: 864.242.3370

morgan.barr@elliottdavis.com

Morgan Barr, CPA

Manager

Services: Assurance | **Emphasis:** Financial Services

Professional Overview

Morgan has seven years of public accounting experience and focuses primarily on internal and external audit services for financial services customers. He has served as the engagement lead for a broad range of both public and private customers. Morgan has multiple years of experience with SEC reporting and internal control audits (Sarbanes-Oxley and FDICIA).

Education, Credentials and Special Training

Certified Public Accountant

Master of Professional Accountancy, Clemson University

B.S., Business Administration, Presbyterian College

Professional Affiliations

American Institute of Certified Public Accountants

South Carolina Association of Certified Public Accountants