

1979

Presentation in financial statements of redeemable preferred stocks

United States. Securities and Exchange Commission

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sec docket

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SIGNIFICANT ITEMS RULES

The following releases relate to self-regulatory rule proposals and/or adoptions.

34-16048 34-16050
34-16049 34-16079

33-6097 Adoption of rules to modify the financial statement presentation of preferred stocks subject to mandatory redemption requirements or whose redemption is outside the control of the issuer.

33-6099 Interpretive release setting forth the views of the Commission's staff on interpretive questions relating to the resale of restricted and other securities.

33-6100 Adoption of a new rule 13-3 and related Schedule 13E-3 under the Securities Act of 1933 relating to going private transactions by public companies or their affiliates.

33-6101 Proposed amendments to new Rule 13e-3 and Schedule 13e-3 relating to going private transactions by public companies or their affiliates, [File S7-792-Comment period expires September 24, 1979.]

34-16077 Delegation of Authority to the Director of the Division of Market Regulation to exempt broker-dealers from the Commission's regulations concerning customer confirmations.

34-16078 Conditional adoption of a new rule 12h-4 under the Securities Exchange Act of 1934 suspending an issuer's duty to file certain reports as to a class of securities for the balance of the issuer's fiscal year.

SECURITIES ACT OF 1933

SECURITIES ACT OF 1933

Release No. 6097/July 27, 1979

SECURITIES EXCHANGE ACT OF 1934

Release No. 16047/July 27, 1979

PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

Release No. 21163/July 27, 1979

INVESTMENT COMPANY ACT OF 1940

Release No. 10797/July 27, 1979

ACCOUNTING SERIES

Release No. 268/July 27, 1979

PRESENTATION IN FINANCIAL STATEMENTS OF "REDEEMABLE PREFERRED STOCKS"

AGENCY: Securities and Exchange Commission

ACTION: Final Rules:

SUMMARY: The Commission hereby adopts rules, encompassing certain amendments to Regulation S-X, to modify the financial statement presentation of preferred stocks subject to mandatory redemption requirements or whose redemption is outside the control of the issuer. The rules adopted do not impact present reporting practices of registrants not having such securities outstanding. Registrants having such securities outstanding are required to present separately, in balance sheets, amounts applicable to the following three general classes of securities: (i) preferred stocks subject to mandatory redemption requirements or whose redemption is outside the control of the issuer; (ii) preferred stocks which are not redeemable or are redeemable solely at the option of the issuer; and (iii) common stocks. A general heading, stockholders' equity, is not to be used and presentation of a combined total for equity securities, inclusive of redeemable preferred stocks, is prohibited. In addition, the rules require disclosure of

redemption terms, five-year maturity data, and changes in redeemable preferred stocks in a separate note to the financial statements captioned "Redeemable Preferred Stocks."

There is a significant difference between a security with mandatory redemption requirements or whose redemption is outside the control of the issuer and conventional equity capital. The Commission believes that it is necessary to highlight the future cash obligations attached to this type of security so as to distinguish it from permanent capital. It is expected that the amended rules will provide more meaningful presentation of the financial obligations of those companies which finance operations through the use of such securities.

EFFECTIVE DATE: Effective for financial statements for fiscal periods ending on or after September 15, 1979.

FOR FURTHER INFORMATION CONTACT: Lawrence C. Best, Office of the Chief Accountant, Securities and Exchange Commission, Washington, D.C. 20549 (202-472-3782).

SUPPLEMENTARY INFORMATION: In a release issued on November 28, 1978,¹ the Commission invited public comment on proposed amendments to Regulation S-X which would require all registrants to present separately in balance sheets filed with the Commission amounts applicable to three general classes of securities: (i) preferred stocks subject to mandatory redemption requirements or whose redemption is outside the control of the issuer (hereinafter referred to as "redeemable preferred stocks"); (ii) preferred stocks which are not redeemable or are redeemable solely at the option of the issuer; and (iii) common stocks. The proposed amendments would prohibit showing a combined total of amounts applicable to these three general classes of securities and the use of stockholders' equity as a general heading. Also, certain additional footnote disclosures were proposed.

¹Release Nos. 33-6000, 34-15358, 35-20791, IC-10495 (November 28, 1978) [43 FR 57612, December 8, 1978].

These amendments were proposed as a result of the Commission noting an increase in the issuance, by registrants, of preferred stocks to finance operations, consummate mergers and acquisitions, or to restructure existing debt arrangements. Many of the preferred stock issues have included terms which require the issuer to redeem the stock at a fixed or determinable price on a fixed or determinable date. Other issues require the issuer to redeem the stock at the option of the holder or at the time certain prescribed conditions are met which are not necessarily within the control of the issuer, such as attainment of a specified level of earnings.

The Commission believes that redeemable preferred stocks are significantly different from conventional equity capital. Such securities have characteristics similar to debt and should, in the opinion of the Commission, be distinguished from permanent capital. The Commission believes that traditional financial reporting practices do not provide the most meaningful presentation of the financial obligations attached to these types of securities and that improvement in the financial statement presentation of redeemable preferred stock is necessary.

A total of 67 letters of comment were received. The majority of the commentators were from industry and related interest groups (40), banking (11) and public accounting (10). Comments included in these letters have been considered and changes have been reflected in the final rules adopted by the Commission.

The final rules are intended to highlight the future cash obligations attached to redeemable preferred stock through appropriate balance sheet presentation and footnote disclosure. They do not attempt to deal with the conceptual question of whether such a security is a liability. Further, the rules do not attempt to deal with the income statement treatment of payments to holders of such a security or with any related income statement matters, including accounting for its extinguishment. The Commission is cognizant of these conceptual problems in determining the appropriate accounting for and reporting of redeemable preferred stock and believes that these matters can best be addressed by the Financial Accounting Standards Board ("FASB"). As an interim measure, the amendments require that the amounts applicable to redeemable preferred stock be presented in financial statements as a separate item—and not combined with equity investments not having similar redemption requirements. The Commission believes the presentation required by the amendments will highlight the redemption obliga-

tion and the fact that amounts attributable to these securities are not part of permanent capital.

Definitions

The following definitions apply to the terms listed below as they are used in this release:

Preferred Stocks Subject to Mandatory Redemption Requirements or whose Redemption is Outside the Control of the Issuer (or "Redeemable Preferred Stock" as referred to in the textual portion of this release). The term "preferred stocks subject to mandatory redemption requirements or whose redemption is outside the control of the issuer" means any stock which (i) the issuer undertakes to redeem at a fixed or determinable price on a fixed or determinable date or dates, whether by operation of a sinking fund or otherwise; (ii) is redeemable at the option of the holder; or (iii) has conditions for redemption which are not solely within the control of the issuer, such as stocks which must be redeemed out of future earnings.²

Preferred Stocks Which are Not Redeemable or Are Redeemable Solely at the Option of the Issuer (or "Non-Redeemable Preferred Stock" as referred to in the textual portion of this release). The term "preferred stocks which are not redeemable or are redeemable solely at the option of the issuer" means any preferred stock which does not meet the criteria for classification as a "preferred stock subject to mandatory redemption requirements or whose redemption is outside the control of the issuer."

²Under this definition, preferred stocks which meet one or more of the above criteria would be classified as "preferred stocks subject to mandatory redemption requirements or whose redemption is outside the control of the issuer" regardless of their other attributes such as voting rights, dividend rights or conversion features.

Exemptions provided in adoption of final rules

Certain of the comment letters identified the appropriate reporting of preferred stocks with mandatory redemption requirements to be the primary focus of the proposed amendments to Regulation S-X. These commentators expressed agreement with the Commission's view that there exists a significant distinction between redeemable preferred stocks and the other classes of securities defined in the release. Certain other commentators provided meaningful statistical data which emphasized that the majority of registrants do not have securities which meet the definition of a "redeemable preferred stock." As a consequence, the Commission has concluded that the necessary refinements concerning the presentation in financial statements of amounts applicable to redeemable preferred stocks should not impact the present reporting practices of registrants who do not use such securities to finance their operations. The Commission has, therefore, adopted rules which affect only registrants having redeemable preferred stocks. Registrants not having such securities may continue to use the general heading "Stockholders' Equity" and show a combined total.

In addition, many of the commentators expressed criticism that our proposal offered little justification for prohibiting, where redeemable preferred stocks are outstanding, the combining of non-redeemable preferred stocks, common stocks and other equity accounts. In consideration of these comments, the Commission will not prohibit the combining of these items under an appropriately designated caption (e.g., "Non-Redeemable Preferred Stocks, Common Stocks, and Other Stockholders' Equity") provided that any combination be exclusive of redeemable preferred stocks.

Footnote disclosure of future cash obligations

The majority of comment letters expressed support for the Commission's proposal to highlight the future cash obligations attendant with redeemable preferred stocks through relevant footnote disclosure. In the interest of clear and prominent disclosure of the future cash obligations attendant with these types of securities, the proposed amendments have been revised to require disclosure of the terms of redemption, five-year maturity data, and changes in these securities in a separate note to the financial statements captioned "Redeemable Preferred Stocks." It should be noted that although in the past a registrant may have disclosed changes in redeemable preferred stocks in a statement of stockholders' equity, such changes are now required to be disclosed in a separate note as described above.

Coordination with the FASB's conceptual framework project

Certain of the comment letters expressed strong objection to the proposal as a preemption of the FASB's conceptual framework project. Other letters of comment expressed disappointment that such proposal did not require the classification of redeemable preferred stock as a liability. It is not the Commission's present intention to deal with the conceptual issue of whether redeemable preferred stock is a liability.

The Commission in its "Report to Congress on the Accounting Profession and the Commission's Oversight Role"³ stated its belief that the initiative for establishing and improving accounting standards should remain in the private sector, subject to Commission oversight. Further, the Commission in its Report supported the efforts of the FASB to establish a conceptual framework for financial accounting and reporting. This project should help to improve the financial accounting and reporting system in general and, in particular, by defining the elements of financial statements, it should help to address issues such as the most appropriate balance sheet classification of redeemable preferred stocks. Rather than address the conceptual issue of appropriate classification, the amendments are intended to highlight the future cash obligations attendant with redeemable preferred stocks. These amendments are intended to represent only an interim solution until the FASB, in connection with its conceptual framework project, addresses the related conceptual issues.

Related accounting matters

Certain of the comment letters suggested that the adoption of any final rules include requirements which establish or clarify the appropriate method of accounting in related areas of stockholders' equity (e.g., appropriate presentation of paid-in capital, determination of carrying value of redeemable preferred stock, etc.). It should be reemphasized that the scope of the Commission's current action is

³Securities and Exchange Commission Report to Congress on the Accounting Profession and the Commission's Oversight Role, prepared for the Subcommittee on Governmental Efficiency and the District of Columbia of the Committee on Governmental Affairs of the United States Senate, July 1979.

limited to the appropriate reporting of the future financial obligations of those companies which finance operations through the use of redeemable preferred stocks. It is not the Commission's present intention to alter existing practice or authoritative guidelines relative to accounting for elements of stockholders' equity.

Problems with existing loan agreements

In response to the specific invitation to comment on potential problems with existing loan agreements which registrants may encounter as a result of the adoption of the proposed amendments, certain respondents identified the calculation of required debt-equity ratios under restrictive covenants of loan agreements as potentially burdensome. As previously indicated, it is not the Commission's present intention to establish whether redeemable preferred stocks are liabilities or components of equity. Therefore, the amendments should not require any change in the calculation of debt-equity ratios under existing loan agreements. Further, the Commission believes that creditors already consider the distinctive characteristics of the types of securities which comprise a company's capital structure when evaluating a potential loan.

Other

Where certain ratios or other data involving amounts attributable to stockholders' equity are presented as required (such as pursuant to Item VI of Guides 3 and 61 of the Guides for Preparation and Filing of Reports and Registration Statements under the Securities Act of 1933 and the Securities Exchange Act of 1934, "Statistical Disclosure by Bank Holding Companies—Return on Equity and Assets") or are optionally presented in filings with the Commission, such ratios or other data should be accompanied by an explanation as to their basis of calculation. If material amounts of redeemable preferred stock are combined with amounts applicable to non-redeemable preferred and common stocks for purposes of computing a ratio, there should also be presented a similar ratio which excludes amounts applicable to redeemable preferred stock from equity and includes such amounts as debt. This would also apply to any financial information such as tables, charts, graphic illustrations and ratios presented in annual reports to shareholders if such reports are to meet the requirements of Rule 14a-3 [17 CFR 240.14a-3] of the General Rules and Regulations under the Securities Exchange Act of 1934.

In addition, the Commission is not amending its rules,

regulations and releases to the extent that they provide for various materiality tests for disclosure purposes (such as in Article 9, "Banks and Bank Holding Companies" [17 CFR 210.9-02-5(e) and 210.9-02-9] using a percentage of total stockholders' equity. In making these tests, registrants may use amounts applicable to all classes of capital stock.

Effective Date

These amendments shall be applicable to financial statements for fiscal periods ending on or after September 15, 1979. Financial statements for fiscal periods ending prior to September 15, 1979 which are included for comparative purposes shall include reclassifications to conform to the current period's presentation.

COMMISSION ACTION: The Commission hereby amends Part 210 of Chapter II of Title 17 of the Code of Federal Regulations (Regulation S-X) as follows:

Part 210 - FORM AND CONTENT OF FINANCIAL STATEMENTS, SECURITIES ACT OF 1933, SECURITIES EXCHANGE ACT OF 1934, PUBLIC UTILITY HOLDING COMPANY ACT OF 1935, AND INVESTMENT COMPANY ACT OF 1940, AND ENERGY POLICY AND CONSERVATION ACT OF 1975

1. RULES OF GENERAL APPLICATION

§210.3-16 General notes to financial statements. (See Release No. AS-4.)

* * * * *

(f) *Preferred shares.* (1) The dividend rate and whether participating, cumulative or noncumulative shall be stated. If callable, the date or dates and the amount per share at which such shares are callable shall be stated. If convertible, the terms of conversion shall be stated briefly. If voting, a general description of the voting rights shall be stated.

* * * * *

2. COMMERCIAL AND INDUSTRIAL COMPANIES

§210.5-02 Balance sheets.

* * * * *

Section of 210.5-02 designated as Stockholders' Equity including paragraphs 38, 39, and 40 is replaced by the following.

General heading of REDEEMABLE PREFERRED STOCKS added.

38. *Preferred stocks subject to mandatory redemption requirements or whose redemption is outside the control of the issuer.* (a) Include under this caption amounts applicable to any class of stock which has any of the following characteristics: (1) it is redeemable at a fixed or determinable price on a fixed or determinable date or dates, whether by operation of a sinking fund or otherwise; (2) it is redeemable at the option of the holder; or (3) it has conditions for redemption which are not solely within the control of the issuer, such as stocks which must be redeemed out of future earnings. Amounts attributable to preferred stock which is not redeemable or is redeemable solely at the option of the issuer shall be included under §210.5-02.39 unless it meets one or more of the above criteria.

(b) State on the face of the balance sheet the title of each issue, the carrying amount, and redemption amount. Show also the dollar amount of any shares subscribed but unissued, and show the deduction of subscriptions receivable therefrom. If the carrying value is different from the redemption amount, describe the accounting treatment for such difference in the note required by §210.5-02.38(c). State on the face of the balance sheet or in the note, referred to herein, for each issue, the number of shares authorized and the number of shares issued or outstanding, as appropriate [See §210.3-14 and §210.3-15].

(c) State in a separate note captioned "Redeemable Preferred Stocks" (1) a general description of each issue, including its redemption features (e.g. sinking fund, at option of holders, out of future earnings) and the rights, if any, of holders in the event of default, including the effect, if any, on junior securities in the event a required dividend, sinking fund, or other redemption payment(s) is not made; (2) the combined aggregate amount of redemption requirements for all issues each year for the five years following the date of the latest balance sheet; and (3) the changes in each issue for each period for which an income statement is required to be filed. [See also §210.3-16(f).]

(d) Securities reported under this caption are not to be included under a general heading "stockholders'

equity" or combined in a total other than prescribed by §210.5-02.42.

General heading of NON-REDEEMABLE PREFERRED STOCKS added.

39. *Preferred stocks which are not redeemable or are redeemable solely at the option of the issuer.* State on the face of the balance sheet the title of each issue and the dollar amount thereof. Show also the dollar amount of any shares subscribed but unissued, and show the deduction of subscriptions receivable therefrom. State on the face of the balance sheet or in a note, for each issue, the number of shares authorized and the number of shares issued or outstanding, as appropriate [See §210.3-14 and §210.3-15]. Show in a note or statement referred to herein the changes in each class of preferred shares reported under this caption for each period for which an income statement is required to be filed. [See also §210.3-16(f).]

General heading of COMMON STOCKS added.

40. *Common stocks.* For each class of common shares state, on the face of the balance sheet, the title of the issue, the number of shares authorized, the number of shares issued or outstanding, as appropriate [See §210.3-14 and §210.3-15], and the dollar amount thereof, and, if convertible, the basis of conversion [See also §210.3-16(f)(3)]. Show also the dollar amount of any common shares subscribed but unissued, and show the deduction of subscriptions receivable therefrom. Show in a note or statement referred to herein the changes in each class of common shares for each period for which an income statement is required to be filed.

General heading of OTHER STOCKHOLDERS' EQUITY added.

41. *Other stockholders' equity.* (a) Separate captions shall be shown for (1) additional paid-in capital, (2) other additional capital and (3) retained earnings (i) appropriated and (ii) unappropriated. [See §210.3-16(h).]

(b) If undistributed earnings of unconsolidated subsidiaries and 50 percent or less owned persons are included, state the amount in each category parenthetically or in a note referred to herein.

(c) For a period of at least 10 years subsequent to the effective date of a quasi-reorganization, any descrip-

tion of retained earnings shall indicate the point in time from which the new retained earnings dates and for a period of at least three years shall indicate the total amount of the deficit eliminated.

(d) A summary of each account under this caption setting forth the information prescribed in §210.11-02 shall be given in a note or statement referred to herein, for each period for which an income statement is required to be filed.

42. *Total liabilities, reserves and stockholders' equity.*

* * * * *

§210.5-04 What schedules are to be filed.

* * * * *

Schedule XIII. Capital shares. The schedule prescribed by §210.12-14 shall be filed in support of captions 38, 39 and 40 of the balance sheet.

* * * * *

3. INSURANCE COMPANIES OTHER THAN LIFE INSURANCE COMPANIES

§210.7-03 Balance sheets.

* * * * *

Section of §210.7-03 designated as Stockholders' Equity including paragraphs 19, 20 and 21 is replaced by the following.

General heading of REDEEMABLE PREFERRED STOCKS added.

19. *Preferred stocks subject to mandatory redemption requirements or whose redemption is outside the control of the issuer.* The classification and disclosure required by §210.5-02.38 shall be given.

General heading of NON-REDEEMABLE PREFERRED STOCKS added.

20. *Preferred stocks which are not redeemable or are redeemable solely at the option of the issuer.* The classification and disclosure required by §210.5-02.39 shall be given.

General heading of COMMON STOCKS added.

21. *Common stocks.* For each class of common shares state, on the face of the balance sheet, the title of the issue, the number of shares authorized, the number of shares issued or outstanding, as appropriate [See §210.3-14 and §210.3-15], and the dollar amount thereof, and, if convertible, the basis of conversion [See also §210.3-16(f)(3)]. Show also the dollar amount, if any, of common shares subscribed but unissued, and show the deduction of subscription receivable therefrom. Show in a note or statement referred to herein the changes in each class of common shares for each period for which an income statement is required to be filed.

General heading of OTHER STOCKHOLDERS' EQUITY added.

22. *Other stockholders' equity.* (a) Separate captions shall be shown for (1) additional paid-in capital, (2) other additional capital, (3) unrealized appreciation or depreciation of investments, less applicable deferred income taxes, (4) retained earnings, (i) appropriated and (ii) unappropriated.

(b) If undistributed earnings of unconsolidated subsidiaries and 50 percent or less owned persons are included, state the amount in each category parenthetically or in a note referred to herein.

(c) Include in subcaption (a)(4)(i) above or in a note the purpose for which retained earnings have been appropriated.

(d) For a period of at least 10 years subsequent to the effective date of a quasi-reorganization, any description of retained earnings shall indicate the point in time from which the new retained earnings dates and for a period of at least three years shall indicate the total amount of the deficit eliminated.

(e) See Rule 7-05-2.

(f) A summary of each account under this caption setting forth the information prescribed in §210.11-02 shall be given in a note or statement referred to herein, for each period for which an income statement is required to be filed.

23. *Total liabilities, other credits and stockholders' equity.*

* * * * *

§210.7-06 What schedules are to be filed.

* * * * *

Schedule VIII. Capital Shares. The schedule prescribed by §210.12-14 shall be filed in support of captions 19, 20 and 21 of the balance sheet.

* * * * *

4. LIFE INSURANCE COMPANIES.

§210.7a-03 Balance sheets.

* * * * *

Section of §210.7a-03 designated as Stockholders' Equity including paragraphs 21, 22 and 23 is replaced by the following.

General heading of REDEEMABLE PREFERRED STOCKS added.

21. *Preferred stocks subject to mandatory redemption requirements or whose redemption is outside the control of the issuer.* The classification and disclosure required by §210.5-02.38 shall be given.

General heading of NON-REDEEMABLE PREFERRED STOCKS added.

22. *Preferred stocks which are not redeemable or are redeemable solely at the option of the issuer.* The classification and disclosure required by §210.5-02.39 shall be given.

General heading of COMMON STOCKS added.

23. *Common stocks.* For each class of common shares state, on the face of the balance sheet, the title of the issue, the number of shares authorized, the number of shares issued or outstanding, as appropriate [See §210.3-14 and §210.3-15], and the dollar amount thereof, and, if convertible, the basis of conversion [See also §210.3-16(f)(3)]. Show also the dollar amount, if any, of common shares subscribed but unissued, and show the deduction of subscription receivable therefrom. Show in a note or statement referred to herein the changes in each class of common shares for each period for which an income statement is required to be filed.

General heading of OTHER STOCKHOLDERS' EQUITY added.

24. *Other stockholders' equity.* (a) Separate captions shall be shown for (1) additional paid-in capital, (2) other additional capital, (3) unrealized appreciation or depreciation of investments, (4) retained earnings (i) appropriated and (ii) unappropriated.

(b) If undistributed earnings of unconsolidated subsidiaries and 50 percent or less owned persons are included, state the amount in each category parenthetically or in a note referred to herein.

(c) Include in subcaption (a)(4)(i) above or in a note the purpose for which retained earnings have been appropriated.

(d) Exclude deferred income taxes from subcaption (a)(3) (see caption 16).

(e) For a period of at least 10 years subsequent to the effective date of a quasi-reorganization, any description of retained earnings shall indicate the point in time from which the new retained earnings dates and for a period of at least three years shall indicate the total amount of the deficit eliminated.

(f) See Rule 7A-05-2.

(g) A summary of each account under this caption setting forth the information prescribed by §210.11-02 shall be given in a note or statement referred to herein for each period for which an income statement is required to be filed.

25. *Total future policy benefits, liabilities, other credits and stockholders' equity.*

* * * * *

§210.7a-06 What schedules are to be filed.

* * * * *

Schedule IX. Capital Shares. The schedule prescribed by §210.12.14 shall be filed in support of captions 21, 22 and 23 of the balance sheet.

* * * * *

5. BANK HOLDING COMPANIES AND BANKS.

§210.9-02 Balance sheets.

* * * * *

Section of §210.9-02 designated as Stockholders' Equity including paragraphs 19, 20, 21 and 22 is replaced by the following.

General heading of REDEEMABLE PREFERRED STOCKS added.

19. Preferred stocks subject to mandatory redemption requirements or whose redemption is outside the control of the issuer. The classification and disclosure required by §210.5-02.38 shall be given.

General heading of NON-REDEEMABLE PREFERRED STOCKS added.

20. Preferred stocks which are not redeemable or are redeemed solely at the option of the issuer. The classification and disclosure required by §210.5-02.39 shall be given.

General heading of COMMON STOCKS added.

21. Common stocks. The classification and disclosure required by §210.5-02.40 shall be given.

General heading of OTHER STOCKHOLDERS' EQUITY added.

22. Other stockholders' equity. The classification and disclosure required by §210.5-02.41 shall be given.

23. Total liabilities and stockholders' equity.

* * * * *

§210.9-05 What schedules are to be filed.

* * * * *

by §210.12-14 shall be filed in support of captions 19, 20 and 21 of the balance sheet.

* * * * *

6. CONTENT OF STATEMENTS OF OTHER STOCKHOLDERS' EQUITY.

§210.11-01 Application of Article 11.

This article prescribes the content of the statements of other stockholders' equity specified in §210.5-02.41, §210.9-02.26, §210.7-03.22, §210.7a-03.24 and §210.9-02.22.

* * * * *

These amendments are adopted pursuant to authority in Sections 6, 7, 8, 10 and 19(a) [15 U.S.C. 77f, 77g, 77h, 77j, 77s] of the Securities Act of 1933; Sections 12, 13, 15(d) and 23(a) [15 U.S.C. 78l, 78m, 78o(d), 78w] of the Securities Exchange Act of 1934; Sections 5(b), 14 and 20(a) [15 U.S.C. 79e, 79n, 79t] of the Public Utility Holding Company Act of 1935; and Sections 8, 30, 31(c) and 38(a) [15 U.S.C. 80a-8, 80a-29, 80a-30(c) and 80a-37(a)] of the Investment Company Act of 1940. Pursuant to Section 23(a)(2) of the Securities Exchange Act, the Commission has considered the impact of these amendments on competition and is not aware of any burden that they would impose on competition.

By the Commission.

George A. Fitzsimmons
Secretary

SECURITIES ACT OF 1933
Release No. 6098/August 1, 1979

Schedule V. Capital Shares. The schedule prescribed In the Matter of