Office of the Comptroller of the Currency
U.S. Department of the Treasury

OCC BULLETIN 2016-45

Subject: Current Expected Credit Losses
Date: December 19, 2016

To: Chief Executive Officers of All National Banks, Federal Savings Associations, and Federal Branches and Agencies of Foreign Banks; Department and Division Heads; All Examining Personnel; and Other Interested Parties

Description: Interagency Frequently Asked Questions on the New Accounting Standard on Financial Instruments – Credit Losses

Additional frequently asked questions were published on September 6, 2017, via OCC Bulletin 2017-34.

Summary

The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the National Credit Union Administration (collectively, the agencies) are publishing frequently asked questions to assist financial institutions and examiners with the new accounting standard, Accounting Standards Update 2016-13, Topic 326, "Financial Instruments – Credit Losses," issued by the Financial Accounting Standards Board (FASB) on June 16, 2016. The new accounting standard introduces the current expected credit losses methodology (CECL) for estimating allowances for credit losses. The effective date of the new credit losses standard depends on the financial institution's characteristics. For U.S. Securities and Exchange Commission filers, the new credit losses standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.

Note for Community Banks

The new accounting standard and the supervisory views outlined in the frequently asked questions apply to all national banks and federal savings associations.

Highlights

The frequently asked questions

- summarize key elements of the new accounting standard, focusing on such concepts as
  - effective dates.
  - scope.
  - transition.
  - measurement approaches.
- highlight areas within existing U.S. generally accepted accounting principles that will change with the new accounting standard, including
  - purchased credit-deteriorated financial assets.
  - held-to-maturity debt securities.
  - available-for-sale debt securities.

    - troubled debt restructuring.
    - off-balance-sheet credit exposures.
- discuss initial supervisory views with respect to measurement methods, portfolio segmentation, use of vendors, scalability, data needs, and allowance processes.
- outline certain steps that financial institutions are encouraged to take to prepare for the transition to the new accounting standard.

Further Information

Please contact the OCC at CECL@occ.treas.gov [mailto:CECL@occ.treas.gov] with CECL questions. For questions about this bulletin, please contact Sydney Menefee, Deputy Chief Accountant, or Megan Bocko, Professional Accounting Fellow, Office of the Chief Accountant, at (202) 649-6380.

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Related Link

- "Frequently Asked Questions on the New Accounting Standard on Financial Instruments – Credit Losses" (PDF)