On May 14, 2018, the Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System, and Federal Deposit Insurance Corporation (collectively, the agencies) published a notice of proposed rulemaking (NPR) to implement the Financial Accounting Standards Board’s Accounting Standards Update (ASU) 2016-13, “Financial Instruments—Credit Losses,” in their rules. The proposed revisions would conform definitions in the agencies’ capital and non-capital rules to the current expected credit losses (CECL) standard and provide an optional transition framework for banks that experience a decrease in capital as a result of adopting the CECL standard.

Note for Community Banks
The NPR, including the optional capital transition framework, would apply to all community banks.

Highlights
The proposed rule would

- update references in the agencies’ risk-based capital rules to conform with the new terminology used in ASU 2016-13.
- update references to allowances in the OCC’s non-capital regulations to conform with the new terminology used in ASU 2016-13.
- provide a transition under the risk-based capital rules for banks that experience a capital decrease as a result of implementing the CECL standard.

Further Information
Please contact Mark Ginsberg, Senior Risk Expert, Capital Policy Division, at (202) 649-6489; Jeffrey Geer, Associate Chief Accountant, at (202) 649-6280; or Kevin Korzeniewski, Counsel, Legislative & Regulatory Activities Division, at (202) 649-5490.

Karen Solomon
Acting Senior Deputy Comptroller and Chief Counsel

Related Link
• Regulatory Capital Rule: Implementation and Transition of the Current Expected Credit Losses Methodology for Allowances and Related Adjustments to the Regulatory Capital Rule and Conforming Amendments to Other Regulations (PDF)