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

Refer to OCC Bulletin 2020-42 for technical changes to the interim final rule.

Summary

The Office of the Comptroller of the Currency (OCC), along with the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation (collectively, the agencies), today announced an interim final rule to delay the estimated impact on regulatory capital stemming from the implementation of Accounting Standards Update No. 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (CECL). The agencies are providing this relief to allow banking organizations to focus on supporting lending to creditworthy households and businesses in light of recent strains on the U.S. economy due to the coronavirus disease (also referred to as COVID-19), while also maintaining the quality of regulatory capital.

Note for Community Banks

This bulletin applies to all OCC-supervised banks that implement CECL before the end of 2020.

Highlights

In February 2019, the agencies issued a final rule (2019 CECL rule) that revised certain regulations to account for changes to credit loss accounting under U.S. generally accepted accounting principles (GAAP), including CECL. The 2019 CECL rule included a transition option that allows banking organizations to phase in over a three-year period the day-one adverse effects of CECL on their regulatory capital ratios (three-year transition option).

The interim final rule

- maintains the three-year transition option in the 2019 CECL rule, which is available to any banking organization at the time that it adopts CECL.
- provides banking organizations that were required under U.S. GAAP (as of January 2020) to implement CECL before the end of 2020 the option to delay for two years an estimate of CECL’s effect on regulatory capital, relative to the incurred loss methodology’s effect on regulatory capital, followed by a three-year transition period (five-year transition option).
- describes the mechanics of the five-year transition option.

Further Information

Please contact Margot Schwadron, Director for Capital Policy, or Benjamin Pegg, Risk Expert for Capital and Regulatory Policy, (202) 649-6370; or Kevin Korzeniewski, Counsel, or Marta Stewart-Bates, Senior Attorney, Chief Counsel’s Office, at (202) 649-5490.

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Related Link

- "Regulatory Capital Rule: Revised Transition of the Current Expected Credit Losses Methodology for Allowances" (PDF)

1 CECL stands for current expected credit loss.

2 The term "banks" refers collectively to national banks, federal savings associations, and federal branches and agencies of foreign banking organizations.