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OCC Bulletin 2016-21 | June 17, 2016

Replaced - Refer to OCC Bulletin 2023-11,
“Current Expected Credit Losses: Interagency
Policy Statement on Allowances for Credit Losses
(Revised April 2023)”

Current Expected Credit Losses: Joint Statement on the New Accounting Standard on Financial Instruments – Credit Losses

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

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 issuing this joint statement in response to the new accounting standard issued by the Financial Accounting Standards Board (FASB) on June 16, 2016.

The new standard, Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, introduces the current expected credit losses methodology (CECL) for estimating allowances for credit losses. The new accounting standard allows a financial institution to leverage its current internal credit risk systems as a framework for estimating expected credit losses.

The agencies support reasonable and practical implementation, taking into consideration each institution's asset size, complexity, and risk profile.

Note for Community Banks

The new accounting standard and the supervisory views outlined in the joint statement apply to all national banks and federal savings associations.

Highlights

The joint statement summarizes key elements of the new accounting standard, focusing on such concepts as

- effective dates.
- scope.
- transition.
- measurement approaches.
- scalability.
- accounting for purchased credit-deteriorated financial assets and available-for-sale securities.

The joint statement also provides initial supervisory views with respect to measurement methods, use of vendors, portfolio segmentation, data needs, qualitative adjustments, and allowance processes. The statement outlines certain steps that institutions are encouraged to take to get ready for transition to the new accounting standard.

Further Information

The OCC recently published frequently asked questions for CECL implementation on BankNet to assist examiners, national banks, and federal savings associations. The OCC will periodically update these frequently asked questions to provide answers to new questions as they arise.

Please email the OCC at CECL@occ.treas.gov with questions related to CECL. For questions about this OCC bulletin and the interagency statement, please contact Sydney Menefee, Deputy Chief Accountant, or Vangjola Gjika, Professional Accounting Fellow, Office of the Chief Accountant, at (202) 649-6280.

Grace E. Dailey
Senior Deputy Comptroller and Chief National Bank Examiner

Related Links

- ["Joint Statement on the New Accounting Standard on Financial Instruments – Credit Losses"](#) (PDF)
- News Release: ["Agencies Issue Joint Statement on the New Accounting Standard on Financial Instruments – Credit Losses"](#)

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