Joint Release

Federal Reserve Board of Governors
Federal Deposit Insurance Corporation
Office of the Comptroller of the Currency

For immediate release

April 17, 2018

Agencies Propose Transition of New Current Expected Credit Losses (CECL) Accounting Standard into Regulatory Capital Framework

The federal banking agencies today proposed a revision to their regulatory capital rules to address and provide an option to phase in the regulatory capital effects of the new accounting standard for credit losses, known as the "Current Expected Credit Losses" (CECL) methodology.

The proposal addresses the regulatory capital treatment of credit loss allowances under the CECL methodology and would allow banking organizations to phase in the day-one regulatory capital effects of CECL adoption over three years. The proposal would revise the agencies' regulatory capital rules and other rules to take into consideration differences between the new accounting standard and existing U.S. generally accepted accounting principles.

In June 2016, the Financial Accounting Standards Board issued a new accounting standard for credit losses that includes the CECL methodology, which replaces the existing incurred loss methodology for certain financial assets.

The notice of proposed rulemaking applies to all banking organizations. Comments on this proposal will be accepted for 60 days after publication in the *Federal Register*.

Attachment: Current Expected Credit Losses (CECL) Proposed Rule

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Media Contacts:

Federal Reserve	Eric Kollig	202-452-2955
FDIC	David Barr	202-898-6992
OCC	Stephanie Collins	202-649-6870

FDIC: PR-26-2018
Last Updated 4/17/2018

communications@fdic.gov