Joint Statement on the Interaction of the CECL Revised Transition Interim Final Rule with Section 4014 of the Coronavirus Aid, Relief, and Economic Security Act

Summary: This joint statement clarifies the interaction between the interim final rule that provides a five-year transition period for the impact of the current expected credit loss methodology (CECL) on regulatory capital and the temporary CECL relief provided by the Coronavirus Aid, Relief, and Economic Security Act.

Statement of Applicability to Institutions with Total Assets under $1 Billion: This Financial Institution Letter (FIL) is applicable to banks that were required (as of January 1, 2020) to adopt CECL during the 2020 calendar year under U.S. generally accepted accounting principles.

Highlights:

- On March 27, 2020, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency issued an interim final rule that provides banking organizations that were required (as of January 1, 2020) to adopt CECL during the 2020 calendar year an option to delay an estimate of CECL’s impact on regulatory capital.

- Also, on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was signed into law. The CARES Act provides banking organizations optional temporary relief from complying with CECL.

- The joint statement clarifies the interaction between the CECL IFR and the CARES Act for purposes of regulatory capital requirements.

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Chief Executive Officer
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Related Topics:
Risk-Based Capital Rules, 12 CFR Part 324

Attachments:
Revised Transition of the CECL Methodology for Allowances with Section 4014 of the CARES Act
Regulatory Capital Rule: Revised Transition of the Current Expected Credit Losses Methodology for Allowances

Contact:
Ben Bosco, Chief, Capital Policy, (202) 898-6853 or bbosco@fdic.gov
Noah Cuttler, Senior Policy Analyst, (202) 898-3556 or ncuttler@fdic.gov
regulatorycapital@fdic.gov or (202) 898-6888

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