Statement of Martin J. Gruenberg Chairman, Federal Deposit Insurance Corporation on Notice of Proposed Rulemaking: 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, FDIC Board Meeting, Washington, D.C.

April 17, 2018

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

The forthcoming implementation of CECL has been a topic of much attention by the banking industry, both large and small institutions. While the impact that CECL will have on banks' capital ratios is uncertain at this time, there is a possibility that the impact could be material for some banks, particularly if the implementation of CECL occurs during a period of economic stress. For this reason, the NPR provides banks a transition of the day one impact of this new accounting standard on regulatory capital 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.

I am pleased to support this joint notice of proposed rulemaking. I would like to thank the FDIC staff for their work on this proposed rule, as well as the staff of the OCC and the Federal Reserve, for the cooperative interagency effort.