

Credit Losses Post-Implementation Review (PIR)

7/29/2020

PIR PROCESS ACTIVITY PLANS FOR CREDIT LOSSES

Stage 1: Post-Issuance-Date Implementation Monitoring

1. Since the issuance of Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, the Board has provided resources to monitor and assist stakeholders with the implementation of Topic 326. Certain of the Stage 1 PIR activities have been completed for public companies given the 2020 effective date of the amendments for those companies. To date, the FASB staff and the Board have:
 - a. Formed a Transition Resource Group (TRG) and have held 4 public meetings and issued 23 educational papers.
 - b. Conducted outreach with:
 - (1) Investor groups—15
 - (2) Preparers—55
 - (3) Industry trade groups—1
 - (4) Academics—5
 - (5) Accounting firms/regulators—80+
 - (6) Roundtables—(a) on current expected credit losses (CECL) implementation and (b) on CECL alternative.
 - c. Responded to 79 technical inquiries since 2016.
 - d. Issued 5 Updates improving and simplifying Topic 326, and issued 1 Update deferring Topic 326 for public business entities that do not meet the definition of a U.S. Securities and Exchange Commission (SEC) filer, private companies, and NFP organizations.

- (1) Collectively received 227 comments letters on respective proposed Updates.
 - e. Issued 2 Staff Q&A's:
 - (1) *Whether the Weighted-Average Remaining Maturity Method Is an Acceptable Method to Estimate Expected Credit Losses*
 - (2) *Developing an Estimate of Expected Credit Losses on Financial Assets.*
 - f. Conducted 10 educational workshops with a focus on community banks and credit unions.
 - g. Developed educational materials and created an implementation website as a single place to house all implementation resources.
2. As part of the PIR process, the FASB will continue to perform those activities as noted above for entities implementing and applying Topic 326, particularly for nonpublic entities that have not yet adopted the Topic. Additionally, the staff will:
 - a. Continue to communicate and perform outreach with key stakeholders and FASB advisory groups
 - b. Continue to perform archival review of financial reports including call report data, 10-Q quarterly financial statements, and earnings call/investor transcripts
 - c. Host a roundtable in the first half of 2021 to discuss the implementation of Topic 326.

Stage 2: Post-Effective-Date Evaluation of Costs and Benefits

3. For Stage 2, the following list represents activities planned or ongoing.

Preparer Focus

4. Survey financial statement preparers about the adoption experience:
 - a. Conduct one-on-one outreach with stakeholders adopting CECL in 2020 to learn directly from those implementing the standard (private company efforts to begin after the standard is effective)
 - b. Conduct an additional roundtable like the first, focused primarily on private companies and NFP entities.

Auditor and Regulator Focus

5. Outreach with auditors and regulators about adoption experience. Conduct one-on-one outreach with stakeholders adopting CECL in 2020 to learn directly from those implementing the standard.

Accounting System Focus

6. Gather feedback from advisory groups about the costs and benefits of adoption.

Investor Focus

7. Understand the benefits of the standard from investors and other users (such as regulatory banking agencies). Assess and monitor investor perceptions to understand whether the pronouncement achieved its expected benefits and the information utility to investors. Efforts will include listening to earnings presentations, reading transcripts, reviewing supplemental schedules, and financial statements.
8. Consider sponsoring academic research to assess certain aspects of the standards to provide information to the Boards on the effectiveness of the standards.

Stage 3: Summary of Research and Reporting

9. In this phase, the Boards will discuss in public the results of their research and prepare a final report for the Standard-Setting Process Oversight Committee (SSPOC).