**Revisions to Call Report Instructions**

[Note – We would include the text below in the Supplemental Instructions starting in Q1 2020, and eventually add it to the General Instructions for Schedule RC-R. We would not overwrite the existing Call Report instructions for the 2019 CECL transition framework.]

2020 CECL Transition Provision

Note: The reporting instructions are based on the 2020 transition provision in section 301of the agencies’ regulatory capital rules and should be read in connection with those rules.

Eligibility

An institution is eligible to use the 2020 CECL Transition Provision if it is required to adopt CECL under U.S. GAAP (as in effect on January 1, 2020) as of the first day of a fiscal year that begins during the 2020 calendar year and:

(1) reports a decrease in retained earnings immediately upon adoption of CECL; or

(2) would report a positive Modified CECL Transitional Amount in any quarter ending in of 2020 after adopting CECL.

An institution must make its election in calendar year 2020 on the first Call Report filed after the institution adopts CECL or the same Call Report that an institution reports a positive Modified CECL Transitional Amount for any quarter ending in 2020.

Even if an institution makes an election to use the 2020 CECL Transition Provision, the institution may only reflect the adjustment in the quarter or quarters in which the institution implements CECL for regulatory reporting purposes.

Transition Period under the 2020 CECL Transition

Beginning with the earlier of 1) the first quarter of the fiscal year that an institution was required to adopt CECL under U.S. GAAP (as in effect on January 1, 2020), or 2) the first quarter in which the institution files regulatory reports reflecting CECL, and for the subsequent 19 quarters (for a total of 20 quarters or the five year transition period), an institution is permitted to make the adjustments described below to amounts used in calculating regulatory capital. If an institution temporarily ceases using CECL during this period, the institution may not reflect a regulatory capital adjustment for any quarter (during the first 8 quarters) in which it did not implement CECL but would be allowed to apply the transition in subsequent quarters when the banking organization uses CECL. However, an institution that has elected the transition, but does not apply it in any quarter, does not receive any extension of the transition period.

As an example, assume an institution is required under U.S. GAAP to adopt the provisions of Accounting Standards Update No. 2016-13, Financial Instruments—Credit Losses, Topic 326, Measurement of Credit Losses on Financial Instruments (ASU 2016-13) on January 1, 2020. This institution delays adoption of CECL for Call Report purposes under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)[[1]](#footnote-2) until July 1, 2020, and elects to use the 2020 CECL Transition Provision at this time. This institution’s transition period begins on January 1, 2020, despite not adopting ASU 2016-13 until July 1, 2020, for Call Report purposes. As such, this institution would have 18 quarters[[2]](#footnote-3), including the quarter of adoption, remaining in its transition period.

Further, assume an institution is required under U.S. GAAP to adopt the provisions of ASU 2016-13 on October 1, 2020, and elects to use the 2020 CECL Transition Provision. This institution also does not delay adoption of CECL for Call Report purposes under the provisions of the CARES Act. This institution’s transition period would begin on October 1, 2020. As such, this institution would have 20 quarters, including the quarter of adoption, remaining in its transition period.

For the first 8 quarters after the start of its transition period, an institution is permitted to make an adjustment of 100% of the transitional items calculated below, for each quarter in which the institution applies CECL for regulatory reporting purposes. At the end of this period, the institution phases out the cumulative adjustment at the end of the eighth quarter (i.e., first 2 years of the 2020 CECL Transition Provision), over the following 12 quarters as follows: 75% adjustment in quarters 9-12 (i.e., Year 3); 50% in quarters 13-16 (i.e., Year 4); and 25% in quarters 17-20 (i.e., Year 5).

Institutions that elect the 2020 CECL transition approach would calculate the following amounts, as applicable. AACL refers to the Adjusted Allowances for Credit Losses, as defined in 12 CFR 3.2 (OCC); 12 CFR 217.2 (Board); or 12 CFR 324.2 (FDIC).

*CECL Transitional Amount* means the decrease net of any DTAs in the amount of an institution’s retained earnings as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the institution’s retained earnings as of the closing of the fiscal year-end immediately prior to the institution’s adoption of CECL.

*DTA Transitional Amount* means the increase in the amount of an institution’s DTAs arising from temporary differences as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the institution’s DTAs arising from temporary differences as of the closing of the fiscal year-end immediately prior to the institution’s adoption of CECL.

*AACL Transitional Amount* means the difference in the amount of an institution’s AACL as of the beginning of the fiscal year in which the institution adopts CECL and the amount of the institution’s ALLL as of the closing of the fiscal year-end immediately prior to the institution’s adoption of CECL.

*Eligible Credit Reserves Transitional Amount* means the increase in the amount of an institution’s eligible credit reserves as of the beginning of the fiscal year in which the institution adopts CECL from the amount of the institution’s eligible credit reserves as of the closing of the fiscal year-end immediately prior to the institution’s adoption of CECL.

*Modified CECL Transitional Amount* means A) during the first two years of the transition period, the difference between AACL as reported in the most recent Call Report (or FR Y-9C), and the AACL as of the beginning of the fiscal year in which the institution adopts CECL, multiplied by 0.25, plus the *CECL transitional amount*, and B) during the last three years of the transition period, the difference between AACL as reported in the Call Report at the end of the second year of the transition period and the AACL as of the beginning of the fiscal year in which the institution adopts CECL, multiplied by 0.25, plus the CECL transitional amount.

*Modified AACL Transitional Amount* means A) during the first two years of the transition period, the difference between AACL as reported in the most recent Call Report (or FR Y-9C), and the AACL as of the beginning of the fiscal year in which the institution adopts CECL, multiplied by 0.25, plus the *AACL transitional amount*, and B) during the last three years of the transition period, the difference between AACL as reported in the Call Report at the end of the second year of the transition period and the AACL as of the beginning of the fiscal year in which the institution adopts CECL, multiplied by 0.25, plus the AACL transitional amount.

**Adjustments to Instructions for Call Report Data Items**

**RC-R, Part I, Item 2:** (Retained Earnings) – An institution electing the 2020 CECL transition would add the *Modified CECL Transitional Amount*, as defined in section 301 of the agencies’ regulatory capital rules,when calculating this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

**RC-R, Part I, Item 2.a:** (CECL Transition) (Starting in June 30, 2020, Call Report) – An institution that has adopted CECL would report whether it is using a CECL transition, as defined in section 301 of the agencies’ regulatory capital rules, in the Call Report for the current quarter. The institution can choose from the following entries: 0 = Did not Adopt; 1 = Adopted Without Transition; 2 = 3-year CECL Transition; 3 = 5-year 2020 CECL Transition.

(FFIEC 041 and FFIEC 051) **RC-R, Part I, Item 15:** (DTAs Arising from Temporary Differences) – An institution electing the 2020 CECL transition would subtract the *DTA Transitional Amount*, as defined in section 301 of the agencies’ regulatory capital rules, from the amount of DTAs from temporary differences used in the calculation of this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

(FFIEC 031) **RC-R, Part I, Item 15.a. or 15.b.:** (DTAs Arising from Temporary Differences) – An institution electing the 2020 CECL transition would subtract the *DTA Transitional Amount*, as defined in section 301 of the agencies’ regulatory capital rules, from the amount of DTAs from temporary differences used in the calculation of this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

**RC-R, Part I, Item 27:** (Average Total Consolidated Assets) – An institution electing the 2020 CECL transition would add the *Modified CECL Transitional Amount*, as defined in section 301 of the agencies’ regulatory capital rules, when calculating this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

**RC-R, Part I, Item 42:** (Adjusted Allowances for Credit Losses/ALLL in Tier 2 Capital) – An institution electing the 2020 CECL transition would subtract the  *Modified AACL Transitional Amount*, as defined in section 301 of the agencies’ regulatory capital rules, when calculating this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

(FFIEC 031 and FFIEC 041) **RC-R, Part I, Item 55.a:** (Total Leverage Exposure) – For an institution subject to the supplementary leverage ratio (advanced approaches or Category III institution), the institution electing the 2020 CECL transition would add the  *Modified CECL Transitional Amount*, as defined in section 301 of the agencies’ regulatory capital rules, when calculating this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

(FFIEC 031): **RC-R, Part I, Item 42.b:** (Eligible Credit Reserves) – For an institution subject to the advanced approaches, the institution electing the 2020 CECL transition would deduct *Eligible Credit Reserves Transitional Amount*, as defined in section 301 of the agencies’ regulatory capital rules, when calculating this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

**RC-R, Part II, Item 8:** (All Other Assets) – An institution electing the 2020 CECL transition would subtract the *DTA Transitional Amount*, as defined in section 301 of the agencies’ regulatory capital rules, from the amount of temporary difference DTAs associated with the AACL that are risk-weighted in this item, adjusted as follows: 100% in Years 1 and 2 of the transition period; 75% in Year 3 of the transition period; 50% in Year 4 of the transition period; and 25% in Year 5 of the transition period.

**Example of Application for Q1 2020:**

As an example, assume an institution is required under U.S. GAAP to adopt the provisions of ASU 2016-13 on January 1, 2020. This institution chooses not to delay adoption of CECL for Call Report purposes under the provisions of the CARES Act, and elects to use the 2020 CECL Transition Provision in the March 31, 2020, Call Report. This institution’s 2020 CECL transition period begins on January 1, 2020.

The institution’s December 31, 2019, Call Report reflected the following amounts:

ALLL: $120

Temporary Difference DTAs: $20

Retained earnings: $200

Eligible credit reserves (advanced approaches only): $110

On January 1, 2020, the institution adopted CECL and reflected the following amounts:

AACL: $150

AACL Transitional Amount = $150 - $120 = $30

(AACL on 1/1/20 – ALLL on 12/31/19)

Temporary Difference DTAs: $30

DTA Transitional Amount = $30 - $20 = $10

(DTAs on 1/1/20 – DTAs on 12/31/19)

Retained earnings: $180

 CECL Transitional Amount = $200 - $180 = $20

 (Retained earnings on 12/31/19 – retained earnings on 1/1/20)

Eligible credit reserves (advanced approaches only): $140

 Eligible Credit Reserves Transitional Amount = $140 - $110 = $30

 (Eligible credit reserves on 1/1/20 – eligible credit reserves on 12/31/19)

On March 31, 2020, the institution reflected the following amounts:

AACL: $170

 Modified AACL Transitional Amount = ($170-$150)\*0.25 + $30 = $35

 (AACL on 3/31/20 – AACL on 1/1/20)\*0.25 + AACL Transitional Amount)

 Modified CECL Transitional Amount = ($170-$150)\*.25 + $20 = $25

 (AACL on 3/31/20 – AACL on 1/1/20)\*0.25 + CECL Transitional Amount)

The institution would adjust the following items in its March 31, 2020, Call Report, Schedule RC-R:

* Part I, Item 2 (Retained earnings): Add $25 (Modified CECL Transitional Amount)
* Part I, Item 15 (or 15.a/15.b) (Temporary difference DTAs): Subtract $10 (DTA Transitional Amount) when calculating DTAs subject to deduction
* Part I, Item 27 (Average total consolidated assets): Add $25 (Modified CECL Transitional Amount)

An institution that is not electing the CBLR framework would make these additional adjustments:

* Part I, Item 42 (Allowances in Tier 2 Capital): Subtract $35 (Modified AACL Transitional Amount)
* Part II, Item 8 (All other assets): Subtract $10 (DTA Transitional Amount)

An institution subject to the supplementary leverage ratio (advanced approaches & Category III institutions) would make this additional adjustment:

* Part I, Item 55.a (Total leverage exposure for SLR): Add $25 (Modified CECL Transitional Amount)

An institution subject to the advanced approaches would make this additional adjustment:

* Part I, Item 42.b (Eligible credit reserves): Deduct $30 (Eligible Credit Reserves Transitional Amount)
1. Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, § 4014, 134 Stat. 281 (March. 27, 2020). [↑](#footnote-ref-2)
2. 6 quarters of the initial transition followed by 12 quarters of the phase-out of the transition. [↑](#footnote-ref-3)