

fiscal years beginning after December 15, 2021.<sup>23</sup> Thus, an institution with a calendar year fiscal year that is not a PBE must first apply the new credit losses standard in its FR 2248, FR 2314, FR 2320, FR 2886b, FR Y-7N, FR Y-8, FR Y-9C, FR Y-9LP, FR Y-9SP, and FR Y-11 for December 31, 2021, if the institution is required to file such form.<sup>24</sup> The FR 2644 reporters must first apply the new credit losses standard January 5, 2022. However, where applicable, institutions would include the CECL provision for expected credit losses for the entire year ended December 31, 2021, in the income statement in its report for year-end 2021. The institution would also recognize in its year-end 2021 report a cumulative-effect adjustment to the beginning balance of retained earnings as of January 1, 2021, resulting from the adoption of the new standard as of the beginning of the 2021 fiscal year.

For regulatory reporting purposes, early application of the new credit losses standard will be permitted for all institutions for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

## Appendix B—U.S. GAAP Changes as a Result of CECL

### Introduction of a New Credit Loss Methodology

The new accounting standard developed by the FASB has been designed to replace the existing incurred loss methodology in U.S. GAAP. Under CECL, the allowance for credit losses is an estimate of the expected credit losses on financial assets measured at amortized cost, which is measured using relevant information about past events, including historical credit loss experience on financial assets with similar risk characteristics, current conditions, and reasonable and supportable forecasts that affect the collectability of the remaining cash flows over the contractual term of the financial assets. In concept, an allowance will be created upon the origination or acquisition of a financial asset measured at amortized cost. At subsequent reporting dates, the allowance will be reassessed for a level that is appropriate as determined in accordance with CECL. The allowance for credit losses under CECL is a valuation account, measured as the difference between the financial assets' amortized cost basis and the amount expected to be collected on the financial assets, *i.e.*, lifetime expected credit losses.

<sup>23</sup> On August 20, 2018, FASB issued a proposed ASU that would amend the transition and effective date provisions in ASU 2016-13 for entities that are not PBEs (non-PBEs) so that the credit losses standard would be effective for non-PBEs for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years.

<sup>24</sup> If the FASB issues a final Accounting Standards Update amending the transition and effective date provisions in ASU 2016-13 as described in footnote 23, a non-PBE with a calendar year fiscal year would first apply the new credit losses standard in its reports for March 31, 2022, if an institution is required to file these report forms.

### Reduction in the Number of Credit Impairment Models

Impairment measurement under existing U.S. GAAP has often been considered complex because it encompasses five credit impairment models for different financial assets.<sup>25</sup> In contrast, CECL introduces a single measurement objective to be applied to all financial assets carried at amortized cost, including loans held-for-investment (HFI) and held-to-maturity (HTM) debt securities. That said, CECL does not specify a single method for measuring expected credit losses; rather, it allows any reasonable approach, as long as the estimate of expected credit losses achieves the objective of the FASB's new accounting standard. Under the existing incurred loss methodology, institutions use various methods, including historical loss rate methods, roll-rate methods, and discounted cash flow methods, to estimate credit losses. CECL allows the continued use of these methods; however, certain changes to these methods will need to be made in order to estimate lifetime expected credit losses.

### Purchased Credit-Deteriorated (PCD) Financial Assets

CECL introduces the concept of PCD financial assets, which replaces purchased credit-impaired (PCI) assets under existing U.S. GAAP. The differences in the PCD criteria compared to the existing PCI criteria will result in more purchased loans HFI, HTM debt securities, and available-for-sale (AFS) debt securities being accounted for as PCD financial assets. In contrast to the existing accounting for PCI assets, the new standard requires the estimate of expected credit losses embedded in the purchase price of PCD assets to be estimated and separately recognized as an allowance as of the date of acquisition. This is accomplished by grossing up the purchase price by the amount of expected credit losses at acquisition, rather than being reported as a credit loss expense. As a result, as of acquisition date, the amortized cost basis of a PCD financial asset is equal to the principal balance of the asset less the non-credit discount, rather than equal to the purchase price as is currently recorded for PCI loans.

### AFS Debt Securities

The new accounting standard also modifies the existing accounting practices for impairment on AFS debt securities. Under this new standard, institutions will recognize a credit loss on an AFS debt security through an allowance for credit losses, rather than a direct write-down as is required by current U.S. GAAP. The recognized credit loss is limited to the amount by which the amortized cost of the security exceeds fair

<sup>25</sup> Current U.S. GAAP includes five different credit impairment models for instruments within the scope of CECL: ASC Subtopic 310-10, Receivables-Overall; ASC Subtopic 450-20, Contingencies-Loss Contingencies; ASC Subtopic 310-30, Receivables-Loans and Debt Securities Acquired with Deteriorated Credit Quality; ASC Subtopic 320-10, Investments-Debt and Equity Securities—Overall; and ASC Subtopic 325-40, Investments-Other-Beneficial Interests in Securitized Financial Assets.

value. A write-down of an AFS debt security's amortized cost basis to fair value, with any incremental impairment reported in earnings, would be required only if the fair value of an AFS debt security is less than its amortized cost basis and either (1) the institution intends to sell the debt security, or (2) it is more likely than not that the institution will be required to sell the security before recovery of its amortized cost basis.

Although the measurement of credit loss allowances is changing under CECL, the FASB's new accounting standard does not address when a financial asset should be placed in nonaccrual status. Therefore, institutions should continue to apply the agencies' nonaccrual policies that are currently in place. In addition, the FASB retained the existing write-off guidance in U.S. GAAP, which requires an institution to write off a financial asset in the period the asset is deemed uncollectible.

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## FEDERAL RESERVE SYSTEM

### Change in Bank Control Notices; Acquisitions of Shares of a Bank or Bank Holding Company

The notificants listed below have applied under the Change in Bank Control Act (12 U.S.C. 1817(j)) and § 225.41 of the Board's Regulation Y (12 CFR 225.41) to acquire shares of a bank or bank holding company. The factors that are considered in acting on the notices are set forth in paragraph 7 of the Act (12 U.S.C. 1817(j)(7)).

The notices are available for immediate inspection at the Federal Reserve Bank indicated. The notices also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing to the Reserve Bank indicated for that notice or to the offices of the Board of Governors. Comments must be received not later than December 31, 2018.

*A. Federal Reserve Bank of Chicago* (Colette A. Fried, Assistant Vice President) 230 South LaSalle Street, Chicago, Illinois 60690-1414:

1. *Lincoln Bancorp Employee Stock Ownership Plan, Reinbeck, Iowa, with John Michael Maier, Milwaukee, Wisconsin, as trustee of the ESOP*; to retain shares of Lincoln Bancorp, Reinbeck, Iowa, and thereby indirectly retain Lincoln Savings Bank, Cedar Falls, Iowa.

*B. Federal Reserve Bank of Dallas* (Robert L. Triplett III, Senior Vice President) 2200 North Pearl Street, Dallas, Texas 75201-2272:

1. *Evan Katz, Michael Helfer, the Evan H. Katz 2018 Dynasty Trust, the Evan H.*

*Katz 2018 Irrevocable Trust, the Lissy Katz Bank 2018 Dynasty Trust, and the Lissy Katz Bank 2018 Irrevocable Trust, all of Houston, Texas, individually and acting in concert*; to acquire voting shares of First Community Bancshares, Inc., and thereby indirectly acquire Fort Hood National Bank and First National Bank Texas d/b/a First Convenience Bank, all of Killeen, Texas.

Board of Governors of the Federal Reserve System, December 6, 2018.

**Yao-Chin Chao,**

*Assistant Secretary of the Board.*

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## FEDERAL RESERVE SYSTEM

### Agency Information Collection Activities: Announcement of Board Approval Under Delegated Authority and Submission to OMB

**AGENCY:** Board of Governors of the Federal Reserve System.

**SUMMARY:** The Board of Governors of the Federal Reserve System (Board) is adopting a proposal to extend for three years, with revision, the Procurement Solicitation Package (FR 1400; OMB No. 7100-0180).

#### FOR FURTHER INFORMATION CONTACT:

Federal Reserve Board Clearance Officer—Nuha Elmaghrabi—Office of the Chief Data Officer, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202) 452-3829. Telecommunications Device for the Deaf (TDD) users may contact (202) 263-4869, Board of Governors of the Federal Reserve System, Washington, DC 20551.

OMB Desk Officer—Shagufta Ahmed—Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235, 725 17th Street NW, Washington, DC 20503 or by fax to (202) 395-6974.

**SUPPLEMENTARY INFORMATION:** On June 15, 1984, the Office of Management and Budget (OMB) delegated to the Board authority under the Paperwork Reduction Act (PRA) to approve and assign OMB control numbers to collection of information requests and requirements conducted or sponsored by the Board. Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the Paperwork Reduction Act Submission, supporting statements and approved collection of information instrument(s) are placed into OMB's public docket

files. The Board may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB control number.

Final approval under OMB delegated authority of the extension for three years, with revision, of the following reports:

*Report title:* Vendor Database.  
*Agency form number:* FR 1400A.  
*OMB control number:* 7100-0180.  
*Frequency:* On occasion.  
*Respondents:* Businesses.  
*Estimated number of respondents:*

250.

*Estimated average hours per response:*

1.

*Estimated annual burden hours:* 250.

*Report title:* Solicitation Package.

*Agency form number:* FR 1400B.

*OMB control number:* 7100-0180.

*Frequency:* On occasion.

*Respondents:* Businesses.

*Estimated number of respondents:*

300.

*Estimated average hours per response:*

81.

*Estimated annual burden hours:*

24,300.

*Report title:* Vendor Risk Management Offeror Questionnaire.

*Agency form number:* FR 1400C.

*OMB control number:* 7100-0180.

*Frequency:* On occasion.

*Respondents:* Businesses.

*Estimated number of respondents:* 20.

*Estimated average hours per response:*

12.

*Estimated annual burden hours:* 240.

*Report title:* Subcontracting Report.

*Agency form number:* FR 1400D.

*OMB control number:* 7100-0180.

*Frequency:* Quarterly.

*Respondents:* Businesses.

*Estimated number of respondents:* 75.

*Estimated average hours per response:*

0.5.

*Estimated annual burden hours:* 150.

*General description of reports:* The Board is continuously seeking vendors who are interested in doing business with the Board through various outreach events, minority/diversity conferences, meetings, and events targeted to either a specific industry classification of vendors or an upcoming acquisition. Vendors are encouraged during these efforts to register in the Board's database of interested vendors (FR 1400A). In announcing an acquisition, Board staff contacts vendors registered in the Board database via electronic mail or by telephone, and provides the Solicitation Package (FR 1400B) and applicable

attachments. The Solicitation, Offer, and Award form (SOA) (Attachment A of FR 1400B) is required with proposals offered in response to a solicitation issued by the Board. The Supplier Information Form (Attachment N of FR 1400B) is required for the entry of a vendor into the Board's contract writing and invoice payment system. As a result of the criteria used by the Board to evaluate proposals, the Solicitation Package may also include the Past Performance Data Sheet and Past Performance Questionnaire (Attachment I of FR 1400B) if past performance is an evaluation factor. Typically, if past performance is considered an evaluation factor, the vendor is asked to submit information on up to three previous contracts whose effort is recent and relevant to the effort required by the solicitation.

Solicitations that require the vendor to process, store, or transmit data from the Board will contain the Vendor Risk Management Offeror Questionnaire (FR 1400C). The questionnaire will be specific to the security controls surrounding the vendor's proposed application that will be used to process, store, or transmit the data. Security controls will be defined and prioritized based on the Federal Information Security Modernization Act of 2014 (FISMA) and the National Institute of Standards and Technology (NIST) Special Publication 800-53 (Security Controls and Assessment Procedures for Federal Information Systems and Organizations). In addition, for solicitations that have subcontracting opportunities and are expected to exceed \$100,000 (\$300,000 for construction), a non-covered company vendor is required to submit a subcontracting plan in its own format, with its proposal. Then, if the vendor is the chosen vendor and awarded a contract, the vendor is required to provide the quarterly Subcontracting Reports (FR 1400D) to the Board, which shall document the vendor's participation achievement on a cumulative basis. Information from the Subcontracting Report is used to assist the Board in fulfilling the requirement in Section 342(e) of the Dodd-Frank Act that requires the Board to submit to Congress an annual report regarding the fair inclusion of minorities and women in contracting.

*Legal authorization and confidentiality:* The FR 1400A is voluntary. For prospective vendors that decide to submit proposals to the Board, the FR 1400B, 1400C, and 1400D are required to obtain a benefit, in order to be eligible for the award of a contract.