THE IMPACT OF CECL AND REVISED DATES PROPOSED BY THE FASB FOR SMALL BANKS TO IMPLEMENT IT

Perspective of CECL

CECL FOUNDATION

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DAYS HOURS MINUTES SECONDS

By **Vinayak Shetty**

CECL COUNTDOWN SERIES

marcus.cree@greenpointglobal.com | sanjay@greenpointglobal.com

International Corporate Center, 555 Theodore Fremd Avenue, Suite A102 Rye, NY 10580

THE FINANCIAL CRISIS AND BIRTH OF CECL

The 2007-2008 financial crisis triggered a cascade of credit losses for banks. It showed just how inadequate the longstanding method of Allowance for Loan and Lease Losses (ALLL) was for the adjustment of reserve levels of financial institutions. Taking note, on June 16, 2016, the Financial Accounting Standards Board (FASB) formulated Current Expected Credit Loss (CECL) to replace the ALLL standard. The CECL standard brought along with it a forward-looking component to anticipate the recognition of losses in a timely manner.

CECL and its impact on the banking industry

The impact CECL will have on the banking industry cannot be stressed enough. Some of these impacts are:

- The way loss modeling is calculated will change with CECL.

- CECL will decrease the profitability of some products and business lines.

- CECL will require financial institutions to make changes across credit risk modeling, capital levels, and risk tolerance.

- These institutions may also need to change their portfolio mix and business strategies.

- Data collection and modeling methodology will be impacted. Loss modeling will now consider a forward-looking component for the life of the loan, along with the current backward-looking component.

- The banking industry will need to pay heed to the impact of CECL during a financial crisis.

- With an increase in allowances, product pricing would change to mirror higher capital costs.

Delay in the effective date for the CECL standard for small banks

- On July 17, 2019, FASB came up with a proposal to push back the effective date of CECL. These new dates will apply to smaller reporting companies.

- The board's objective in offering additional time was to give relief to entities such as small banks that have limited resources and allow them more time to learn from and adapt to the implementation efforts of larger banks.

- Under the proposal, small community banks and credit unions must implement CECL by January 1, 2023.

- FASB also noted that due to their limited capacity to access technology and resources some smaller companies encountered more pronounced challenges and costs as they transitioned to an accounting standard.

CECL Effective Dates	Proposed	Current
SEC filers (except Smaller Reporting Cos)	2020	2020
Smaller Reporting Companies*	2023	2020
All Other Public Business Entities	2023	2021
Private Banks, Credit Unions	2023	2022

*as defined by SEC:

-A public float of less than $250 million or

-Annual revenue less than $100 million and: no public float or public float of less than $700 million

Source: FASB

The US Federal Reserve's Scaled CECL Allowance for Losses Estimator (SCALE)

- The Scaled CECL Allowance for Losses Estimator (SCALE) was released by the US Federal Reserve in July 2021, to help small community banks implement CECL. These are banks whose total assets are under $1 billion.

- Publicly available regulatory and industry peer data is used by this spreadsheet-based tool to help small banks calculate allowances for credit losses that are CECL compliant.

- Starting with this tool, the bank management will need to adjust the amount to show their loss history and credit risk.

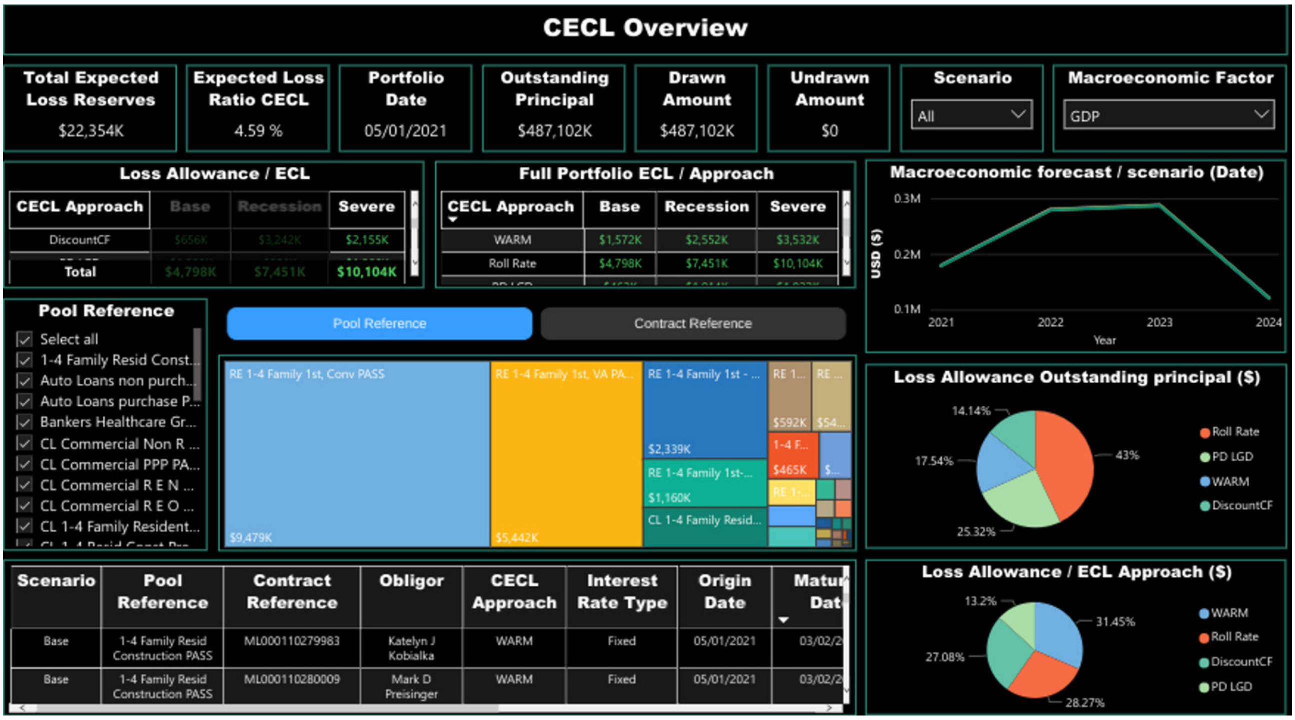
CECL Express can help...

CECL Express is a turnkey solution that fully satisfies all elements of the new CECL accounting standard. The system provides all non-loan data, including:

- Yield curves and Fed data
- Linked reports on losses from the FFIEC and NCUA
- PD and LGD curves
- Macroeconomic data

Banks and credit unions need to only provide the underlying loan details for the system to provide fully auditable ECL results for multiple calculation methods, including:

- Vintage
- Roll Rate
- Discounted Cashflow
- WARM
- PD/LGD



CECL Express provides more than valid ECL results. The system computes results for all methods and all loan pools, allowing the bank to optimize its CECL configuration and avoid the worst impacts of the new standard.

Visit ceclexpress.com for more information about the most efficient route to optimal CECL compliance.

ABOUT CECL EXPRESS

- CECL Express is a turnkey, cloud-based solution, designed to provide banks and credit unions with optimized results and reporting that fully meet the 'Current Expected Credit Loss' accounting standards.
- CECL represents a major change in what is expected from financial institutions in their reporting of, and provisioning against potential credit losses.
- Smaller financial institutions are expected to implement forward-looking credit models to estimate losses they may experience.
- Selecting inappropriate 'Expected Credit Loss' (ECL) models will create a need to hold far more capital than is required, directly causing a loss of Profit and Loss (P&L). Data used within these models must also be reported for audit purposes.
- January 2023 will see the first official reporting period for the beginning of CECL. Banks and credit unions must have a framework in place, which is fully tested and reports results based on that data. In practice, this means selecting, implementing, and testing the system in the first half of 2022.
- For Finastra core systems, the integration has already been built. For customers with these systems, their CECL results are ready to be calculated and reported.

ABOUT GREENPOINT FINANCIAL

- GreenPoint Financial is a division of GreenPoint Global, which provides software-enabled services, content, process and technology services, to financial institutions and related industry segments.
- GreenPoint is partnering with Finastra across multiple technology and services platforms.
- Founded in 2006, GreenPoint has grown to over 500 employees with a global footprint. Our production and management teams are in the US, India, and Israel with access to subject matter experts.
- GreenPoint has a stable client base that ranges from small and medium-sized organizations to Fortune 1000 companies worldwide. We serve our clients through our deep resource pool of subject matter experts and process specialists across several domains.
- As an ISO certified by TUV SUD South Asia, GreenPoint rigorously complies with ISO 9001:2015 and ISO 27001:2013 standards.

Marcus Cree

MANAGING DIRECTOR AND
CO-HEAD OF FINANCIAL TECHNOLOGY AND SERVICES

Marcus has spent 25 years in financial risk management, working on both the buy and sell side of the industry. He has also worked on risk management projects in over 50 countries, gaining a unique perspective on the nuances and differences across regulatory regimes around the world.

As Managing Director, Marcus co-heads GreenPoint Financial Technology and Services and has been central in the initial design of GreenPoint products in the loan book risk area, including CECL and sustainability risk. This follows his extensive experience in the Finastra Risk Practice and as US Head of Risk Solutions for FIS. Marcus has also been a prolific conference speaker and writer on risk management, principally market, credit and liquidity risk. More recently, he has written and published papers on sustainability and green finance.

Marcus graduated from Leicester University in the UK, after studing Pure Mathematics, Phycology and Astronomy. Since graduation, Marcus has continually gained risk specific qualifications including the FRM (GARP's Financial Risk Manager) and the SCR(GARP's Sustainability and Climate Risk). Marcus's latest academic initiative is creating and teaching a course on Green Finance and Risk Management at NYU Tandon School of Engineering.

Sanjay Sharma, PhD

FOUNDER AND CHAIRMAN

Sanjay provides strategic and tactical guidance to GreenPoint senior management and serves as client ombudsman. His career in the financial services industry spans three decades during which he has held investment banking and C-level risk management positions at Royal Bank of Canada (RBC) Goldman Sachs, Merrill Lynch, Citigroup, Moody's, and Natixis. Sanjay is the author of "Risk Transparency" (Risk Books, 2013), Data Privacy and GDPR Handbook (Wiley, 2019), and co-author of "The Fundamental Review of Trading Book (or FRTB) - Impact and Implementation" (Risk Books, 2018).

Sanjay was the Founding Director of the RBC/Hass Fellowship Program at the University of California at Berkeley and has served as an advisor and a member of the Board of Directors of UPS Capital (a Division of UPS). He has also served on the Global Board of Directors for Professional Risk International Association (PRMIA).

Sanjay holds a PhD in Finance and International Business from New York University and an MBA from the Wharton School of Business and has undergraduate degrees in Physics and Marine Engineering. As well as being a regular speaker at conferences, Sanjay actively teaches postgraduate level courses in business and quantitative finance at EDHEC (NICE, France), Fordham, and Columbia Universities.