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CECL Delayed for Small and Private Companies, But 2020 Implementation is Likely Here to Stay

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The Financial Standards Accounting Board (**FASB**) voted on Wednesday to propose delaying the implementation date of the Current Expected Credit Losses accounting standard (**CECL**) until 2023, for all companies other than larger SEC filers. The proposal would reduce the number of implementation dates from three to two.

Under the proposal, companies that must file or furnish financial statements with the SEC and which, in the most common fact pattern, have a market capitalization of more than $250 million would still be required to implement CECL for fiscal years beginning in 2020. Other less common fact patterns are set forth in the technical description of the SEC definition of smaller reporting companies.[1]

All other entities subject to CECL, including public business entities that are not larger SEC filers, smaller reporting companies, private companies, not-for-profits and employee benefit plans, would see CECL implementation delayed until fiscal years beginning on or after 2023, rather than 2021 or 2022. In the banking sector, all credit unions, many privately held banks and a wide range of community banks with a very small float may benefit from this delay. But, it is extremely unlikely that the top 200 banking organizations by asset size would benefit, meaning that all large banking organizations, all regional banking organizations and most, but not all, of the larger community banks would not benefit from this delay.

In light of the fact that CECL implementation for larger SEC filers is less than five months away, the proposal suggests that FASB intends to stand by CECL's initial implementation date of 2020, despite calls by many stakeholders for delay.

The full proposal will be released in the coming weeks and subject to a 30-day comment period.

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[1] A “smaller reporting company” is an issuer that is not an investment company, asset-backed issuer or a majority-owned subsidiary of a parent that is not a smaller reporting company, and that (i) had a public float of less than $250M or (ii) had annual revenue of less than $100M and either (a) no public float or (b) a public float of less than $700M. 17 U.S.C. § 229.10(f)(1).