# Summary of Public Roundtable Meeting on Credit Losses

On Monday, January 28, 2019, the FASB hosted a public roundtable meeting to gather views on the following topics related to the current expected credit loss (CECL) model:

a. Topic 1: Proposal Submitted to Consider an Alternative Approach to Presenting Expected Credit Losses on the Income Statement
b. Topic 2: Whether Gross Writeoffs and Gross Recoveries Should be Presented in the Credit Quality Disclosures

At the roundtable, the Board members and FASB staff heard the perspectives of a diverse set of stakeholders, representing 23 different organizations, including 4 large financial institutions, 4 mid-sized financial institutions (representing those who submitted the alternative proposal), 3 small financial institutions, 4 investment firms/investor associations, 3 audit firms, 5 regulatory agencies.

*Feedback on Topic 1*

The roundtable participants representing those who submitted the alternative proposal emphasized that the proposal represents a framework rather than a completed standard. They suggested that their proposal would improve the financial reporting of expected credit losses and provide financial statement users with more decision-useful information.

The roundtable participants representing large and small financial institutions stated that the alternative proposal would be operationally complex and would lead to increased costs for financial statement preparers with little benefit to investors. Some of the costs discussed include increased audit fees, additional systems changes, and compliance with new disclosure requirements. Some stakeholders also commented that the alternative proposal seemed to address regulatory capital concerns rather than representing improvements to financial reporting. One participant noted that the application of the proposed model may result in credit losses reflected in the income statement that are less than under today's incurred loss model and less than the application of IFRS 9.

The investors at the roundtable noted that without enhanced disclosure requirements, the additional information provided by the proposal would not be decision-useful. The investors also noted the proposal's increased reliance on management estimates and judgements could decrease comparability. The auditors at the roundtable noted that the proposal would lead to an incremental increase in audit effort (and cost) and increased scrutiny of the judgements made by the entity in determining credit losses in the next 12 months and those beyond 12 months in the entity's impairment analysis.

*Feedback on Topic 2*

While large and small financial institutions noted the difficulty and cost of gathering gross writeoff and gross recovery information by vintage year based on current system limitations, investors reiterated the importance of the vintage information to track the performance of certain parts of the portfolio over time.