NCUA Accounting Bulletin

NO. 16-1 **DATE: September 13, 2016**

1. **PURPOSE**. This Bulletin clarifies NCUA's policy regarding a credit union's use of Private Company Council (PCC) alternative accounting reporting options within U.S. Generally Accepted Accounting Principles (GAAP) when filing a report with the NCUA Board.

2. **APPLICABILITY**. The new regulatory reporting policy is applicable to all federally-insured credit unions.

3. **BACKGROUND**. The Financial Accounting Foundation created the PCC in May 2012 to improve the process of setting accounting standards for private companies.[1] The PCC proposes to the Financial Accounting Standards Board (FASB) alternative recognition, measurement, disclosure, display, effective date, and transition guidance for private companies under U.S. GAAP. This can include modifying or allowing exceptions to existing U.S. GAAP standards that would otherwise apply. The FASB and the PCC will consider factors such as user needs, on a standard-by-standard basis, when determining which private companies will be eligible to apply accounting and reporting alternatives within U.S. GAAP.

The alternative reporting options recommended by the PCC and endorsed by the FASB are set forth in a FASB Accounting Standards Codification (ASC).

4. **POLICY**. The Federal Credit Union Act §202(a)(6)(C) requires the accounting principles that govern regulatory reporting by credit unions be consistent with U.S. GAAP. Federal credit unions under $10 million in assets, and some federally insured state-chartered credit unions under $10 million in assets, are not required to follow U.S. GAAP in their regulatory reporting, but may elect to do so. The NCUA has concluded that a credit union is permitted to use PCC accounting alternatives issued by the FASB when preparing its Call Reports.[2] The Federal Credit Union Act supports the conclusion that the "uniform and consistent" requirement does not preclude the use of the PCC accounting alternatives.[3] However, if the NCUA determines that a particular accounting

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[1] The independent, private sector organization responsible for the oversight of the Financial Accounting Standards Board.

[2] Of the four private company accounting alternatives currently endorsed by the FASB, credit unions are permitted to adopt ASU No. 2014-02, Intangibles – Goodwill and Other (Topic 350): Accounting for Goodwill; ASU No. 2014-07, Consolidation (Topic 810): Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements, and; ASU No. 2014-18, Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination. ASU No. 2014-03, Derivatives and Hedging (Topic 815): Accounting for Certain Receive-Variable, Pay-Fixed Interest Rates Swaps-Simplified Hedge Accounting Approach does not apply to financial institutions.

[3] 12 U.S.C. 1782(a)(6)(C)(i) states that, in general, accounting principles applicable to reports or statements required to be filed with the Board by each insured credit union shall be uniform and consistent with generally accepted accounting principles.

principle within U.S. GAAP, including a PCC accounting alternative, is inconsistent with the statutorily specified supervisory objectives, the Federal Credit Union Act allows NCUA to prescribe an accounting principle for regulatory reporting purposes that is no less stringent than U.S. GAAP.[4]

NCUA's policy is consistent with the position of other federal financial institution regulatory agencies.

5. **EFFECTIVE DATE**. This Bulletin is effective immediately. Federally-insured credit unions may use PCC reporting alternatives endorsed by the FASB (within U.S. GAAP).

/s/

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[4] See 12 U.S.C. 1782(a)(6)(C)(ii). NCUA will provide credit unions appropriate notice before disallowing any PCC accounting alternative under the statutory process through the issuance of an Accounting Bulletin. In such a situation, a credit union would not be permitted to use that particular PCC accounting alternative or other accounting principle within U.S. GAAP for Call Report purposes.