

Step 2: Calculate modified transitional amounts, and the regulatory impact:

On a quarterly basis for up to two years, an electing organization must then calculate the cumulative impact of CECL on regulatory capital as follows:

Increase retained earnings by the "Modified CECL Transitional Amount"

Computed as follows:

CECL Transitional Amount
+
Change between end-of-period reported AACL and the AACL as of beginning of fiscal year that the Firm adopts CECL, multiplied by the 25% scaling factor
=
Modified CECL Transitional Amount

Decrease AACL by the "Modified AACL Transitional Amount"

Computed as follows:

AACL Transitional Amount
+
Change between end-of-period reported AACL and the AACL as of beginning of fiscal year that the Firm adopts CECL, multiplied by the 25% scaling factor
=
Modified AACL Transitional Amount

Two Additional Regulatory Capital Adjustments:

Computed as follows:

1. Decrease Temporary Difference DTA by the DTA Transitional Amount
2. Increase reported average total consolidated assets by the Modified CECL Transitional Amount