Evaluation Worksheet

CECL (Current Expected Credit Loss)

When the Financial Accounting Standards Board (FASB) introduced a new impairment model, commonly known as CECL (Current Expected Credit Losses), applicable to the U.S. GAAP based countries such as the United States, Israel, Japan (limited), Switzerland (optional), it represented a major shift from the existing incurred loss model. Preparing for and implementing CECL will compel financial institutions to think about credit risk in new and more timely ways and to either recalibrate existing models or develop new ones, with matters being especially thorny and complex for institutions that operate across borders. Furthermore, CECL imposes a lot more requirements on financial institutions on the accounting and disclosure fronts. CECL touches on the principal functions of finance, risk and regulatory reporting within an organization, so it is essential that the enterprise providing the systems can offer the technology, as well as the knowledge of its human experts, to support all three. Expertise in one or even two is not good enough.

Recommended Use
Use this worksheet to help you evaluate your organization's strengths, gaps and weakness in the CECL process. Consider each of the points and score your organization's current practices to prioritize your CECL improvements. If you score over 50 points, you are doing well!

Next Steps
Upon completing this worksheet, please contact Lisa Demers for any additional information at lisa.demers@wolterskluwer.com or call 781-907-6623.

	A	B	C		
	Scoring Score between 1 to 5 1 = no capabilities 5 = full functionality	**Repeatable and Efficient** YES = 1 NO = 0	**Transparent and Documentable** YES = 1 NO = 0	**Final Assessment**	**Areas for Improvement**
Business Data Architecture					
Data Model: Does your institution have a data model in place that will support the required models, calculations, accounting, disclosures and any detailed drill back and analytics?					
Data management: Does your institution possess all data normalization, validation and reconciliation capabilities in order to cleanse the information coming from disparate source systems?					
Data preparedness: Given the chosen approaches and modeling techniques, does your institution has enough internal loss and scenario data to support the end-to-end CECL process?					
Segmentation					
Does your institution's segmentation exercise utilize a flexible rules engine with review capabilities to identify outliers and recommend re-segmentation of contracts or pools?					
Credit Risk Assessment					
Has your institution decided on the loss forecasting models it will use per segment of its portfolios?					
Will you build your own models or rely on external (vended) models?					
Qualitative factor adjustments					
How will your institution adjust historical loss data for current conditions?					
How will these Q-factors be applied to your data and what is the documentation process to show supportable evidence?					
Quantitative ME scenario adjustments					
How will your institution adjust historical loss data for reasonable and supportable forecasts?					
Will this be incorporated in your loss forecasting model or will you overlay historical loss information with macro-economic forecasts?					
ECL Calculation Platform					
Will your institution make use of the Discounted Cash Flow methodologies to take into account the time value of money, or will this implicitly be done in the model?					
Accounting					
Will your CECL process have automated debit and credit generation capabilities, always taking into account the latest FASB standards?					
Disclosures					
Will your institution be able to run all required FASB disclosures on a flexible framework which allows for last minute changes of lay-outs and dimensions?					
Analytics					
Will your solution be able to create ad-hoc reports to slice, dice and analyze the ECL model result data from various angles?					
Will your solution be able to perform what-if analysis on the current results by changing any variable in the model?					
Are you prepared to review the impacts of disasters (earthquakes, hurricanes, fires, pandemics, etc. on your ECL and consequently, your earnings/P&L?					
Governance & Workflow					
Will your institution be able to orchestrate the CECL concert between the numerous departments (Risk, treasury, accounting, regulatory, data...) on an almost continuous basis?					
		Your total A*(B+C)	**Total Points:**		