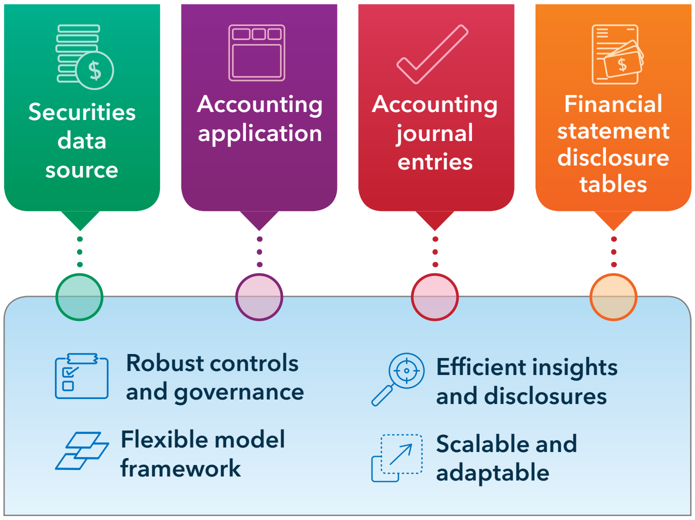
ASU 2016-13:

Securities credit loss accounting and disclosure automation

ASU 2016-13 removes Other-than-Temporary Impairment (OTTI) on impaired securities and requires a credit loss allowance equal to the difference between discounted cash flows and the security's amortized cost basis. Furthermore, for AFS classified securities, credit loss allowance is limited to the fair value of the security. For HTM classified securities, new guidance requires forward-looking assumptions and reversion to historical loss information.



SAS and KPMG provide an automated offering to address the accounting changes

Import securities data and accounting information, generate allowance for credit loss amounts and create JE postings, and produce financial statement disclosure tables as required under ASU 2016-13, all through a controlled production environment.

Additional benefits of the offering include:

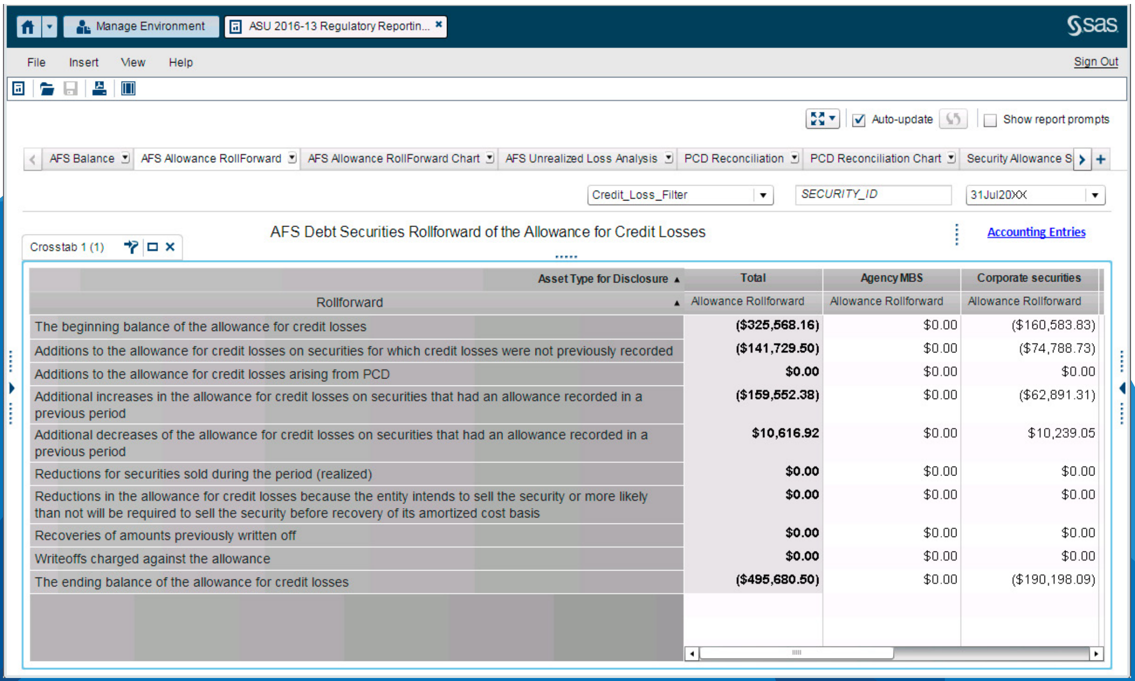
- Multiple scenario management and stress analysis for improved outcomes, volatility management, and predictive analytics.
- Perform "what-if" analysis to measure impact of investment election changes and/or classification.
- User-friendly reporting environment for finance and accounting with minimal manual intervention.
- Scalable to meet the needs of the world's largest institutions, while flexible enough for organizations of all sizes.
- Highly configurable offering providing auditable workflow trails and an efficient production environment.

The offering enables clients to automate credit loss accounting and financial statement disclosure tables

This web-based user-friendly offering enables organizations to leverage their existing securities systems of record, automate application of credit loss accounting filters and purchased credit deteriorated test filters per policy papers, calculate a security's respective allowance for expected credit losses, and automate the process of generating accounting general ledger journal entries and financial statement disclosure tables.

The offering can be deployed on-premises or hosted in a cloud environment. Alternatively, remote managed services under a subscription can be offered where KPMG performs the process on behalf of the organization, with back-end operations powered by SAS®.

Figure 1: Rollforward of the Allowance for Credit Losses disclosure table produced by the SAS offering



Asset Type for Disclosure	Total	Agency MBS	Corporate securities
Rollforward	Allowance Rollforward	Allowance Rollforward	Allowance Rollforward
The beginning balance of the allowance for credit losses	**($325,568.16)**	$0.00	($160,583.83)
Additions to the allowance for credit losses on securities for which credit losses were not previously recorded	**($141,729.50)**	$0.00	($74,788.73)
Additions to the allowance for credit losses arising from PCD	**$0.00**	$0.00	$0.00
Additional increases in the allowance for credit losses on securities that had an allowance recorded in a previous period	**($159,552.38)**	$0.00	($62,891.31)
Additional decreases of the allowance for credit losses on securities that had an allowance recorded in a previous period	**$10,616.92**	$0.00	$10,239.05
Reductions for securities sold during the period (realized)	**$0.00**	$0.00	$0.00
Reductions in the allowance for credit losses because the entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis	**$0.00**	$0.00	$0.00
Recoveries of amounts previously written off	**$0.00**	$0.00	$0.00
Writeoffs charged against the allowance	**$0.00**	$0.00	$0.00
The ending balance of the allowance for credit losses	**($495,680.50)**	$0.00	($190,198.09)

Why SAS and KPMG

- Industry leaders in combining accounting intelligence and software development to provide a digital labor offering addressing credit loss accounting for securities compliance under US GAAP.
- Aggregate data and provide robust analytics.
- Prepare accounting, management reports, and regulatory disclosure reports.
- Implement a transparent, auditable and repeatable process for ECL calculations.

To learn more, visit **sas.com/kpmg**.