

FINANCIAL INSTITUTIONS REMINDER CHECKLIST

REV REC 606 Implementation

Reminder Checklist

This document is intended to be used as a reminder of ASC 606 requirements and other reporting considerations but it is not intended to be a complete checklist. Rather, judgment will be required in order to consider specific circumstances regarding requirements for ASC 606 assessments. Any "no" responses should generally prompt additional consideration.

Considerations	Yes	No	N/A	Comments
Does the ASC 606 assessment clearly identify the material revenue streams scoped in and scoped out of ASC 606, and the basis for such conclusions?				
Have immaterial revenue streams been evaluated in the aggregate to determine if they are material when aggregated?				
For transaction streams identified as scoped out, are references included regarding the applicable ASC				
Topics which address those transactions?				
The Assessment should include the following: <ul style="list-style-type: none"> ▶ Method of adoption ▶ Address net vs. gross presentation ▶ Include the ASC 606 disclosures ▶ Disclosures presented in accordance with ASC 606-50 				
Do revenue streams exist that are partially governed by ASC 606 and partially by another ASC Topic?				
If partially impacted revenue streams exist, (in other words, another standard specifies how revenue recognition is recognized but aspects of that revenue are not covered by that topic/standard), did the company allocate the transaction price relating to parts of the contract dealt with by other Topics and apply the requirements of the other Topics to the transaction price allocated AND apply the requirements of Topic 606 to the transaction price allocated to parts of the contract not dealt with by another Topic?				
For revenue streams in scope of ASC 606, address each 5 step process for every revenue stream and for each distinct contract : Step 1: Identify the Contract Step 2: Identify Separate Performance Obligations Step 3: Determine the Transaction Price Step 4: Allocate Transaction Price to Performance Obligations Step 5: Recognize Revenue when or as Each Performance Obligation is Satisfied				
Have internal controls over the assessment and implementation been designed, implemented, and assessed for effectiveness?				
Have you considered the potential tax implications that may be triggered as a result of ASC 606 adoption, and has your organization put in place new data collection and retention policies that may be required to substantiate tax changes? Possible tax implications could include: <ul style="list-style-type: none"> ▶ Tax accounting method changes ▶ Book-tax differences ▶ Cash taxes ▶ ASC 740 – Deferred taxes, current/non-current taxes payable – at adoption/prospective ▶ Federal, state, indirect and foreign taxes ▶ Transfer pricing 				



APPENDIX I

Financial Institutions–606 Revenue Recognition Impacts & Non-Impacts to Revenue

TOPIC 606 DOES NOT APPLY TO REVENUE RELATED TO:

- ▶ Guarantees (other than produce or service warranties) within the scope of ASC 460, Guarantees
- ▶ Leases within the scope of ASC 840
- ▶ Insurance contracts within the scope of ASC 944 – Financial Services – Insurance
- ▶ Nonmonetary exchanges between entities in the same line of business to facilitate sales to customers or potential customer (ASC 845)
- ▶ Financial instruments within the scope of:
 - 310 – Receivables
 - 320 – Investments – Debt and Equity Securities
 - 323 – Investments – Equity Method and Joint Ventures
 - 325 – Investments – Other
 - 405 – Liabilities
 - 470 – Debt
 - 815 – Derivatives and Hedging
 - 825 – Financial Instruments
 - 860 – Transfers and Servicing

APPENDIX I (continued)

Issue	Description and examples
Credit Cards	<p>Credit card fees are generally excluded from the scope of Topic 606 (they are accounted for under Topic 310). Credit card loyalty programs may or may not be subject to the guidance in Topic 606, depending on facts and circumstances. Similarly, interchange fees may also be subject to Topic 606, depending on whether the institution is acting as an agent or as a principal in the transaction. Identifying the customer and related performance obligations will require judgment based on the specific facts and circumstances of the arrangement.</p> <p>Further, credit card issuers and other financial institutions will need to determine if other goods or services they provide in conjunction with financing (e.g., management services, transfer of goods subject to financing) are subject to Topic 606.</p> <p>See TRG Papers 36 and 44.</p>
Mortgage servicing and sub-servicing, deposits and deposit-related fees, financial guarantees, lending-related fees	<p>Financial institutions will need to carefully evaluate all services and contracts to determine whether Topic 606 applies. If specific guidance in other ASC Topics deal with a transaction, the more detailed guidance from those other Topics should be applied rather than the guidance in Topic 606.</p> <p>In TRG Papers 52 and 55, the TRG and FASB staff concluded:</p> <ul style="list-style-type: none"> ▶ Fees related to arrangements that are within the scope of Topic 860, Transfers and Servicing, are not within the scope of Topic 606. ▶ Deposit-related fees are within the scope of Topic 606. ▶ Guarantee fees (other than fees for product or service warranties) that are within the scope of Topic 460, Guarantees, are not within the scope of Topic 606.
Sale of non-operating assets (other real estate owned)	<p>Financial institutions selling nonfinancial assets repossessed upon a loan default and not considered a business will likely apply the guidance in new Subtopic 610-20, Gains and Losses from the Derecognition of Nonfinancial Assets, which is applicable to sales of nonfinancial assets to parties that are not customers. Many of the concepts in Subtopic 610-20 are based on those in Topic 606, specifically, collectability (identification of a contract), determination of transaction price, and transfer of control.</p>
Commission Income	<p>Commission services may include trade execution, clearing services, and custody services. Generally, these are considered single performance obligations, however, financial institutions will need to evaluate for separate performance obligations if fees are charged separately for services. Under Topic 606, fees will continue to be recognized on trade date, however, if custody services are considered separate performance obligations, it may need to be considered whether the services are satisfied over time.</p>
Investment Banking Advisory Fees	<p>Investment Banking advisory fees are generally within the scope of Topic 606 and financial institutions will need to assess for multiple performance obligations within each contract. While services typically relate to the successful completion of a transaction (e.g. the sale of a business, which is a single performance obligation and revenue is recognized at the point in time), there may be other promised goods or services in addition to the transaction. If there are multiple performance obligations, allocation of revenue and timing must be determined.</p>

APPENDIX I (continued)

Issue	Description and examples
Underwriting Revenue and Expense	<p>Underwriting services typically relate to the successful completion of a transaction and therefore, a single performance obligation (e.g. issuance of the customer's securities).</p> <ul style="list-style-type: none"> ▶ Generally, revenue will be recognized on the trade date of securities when the underwriter purchases securities from the issuer or the date the securities are sold to third parties. ▶ Arrangements with the same counterparty may need to be combined. ▶ Topic 606 eliminates existing broker-dealer guidance permitting net presentation of costs. In typical cases, underwriter is considered the principal and underwriting costs will require gross presentation as an expense. Costs incurred by non-broker-dealers will need to be evaluated for deferral until revenue is recognized.
Asset Administration and Asset Management Fees	<p>Financial institutions should consider the nature of treasury and trust services and whether services may be bundled into one contract. If bundled, determination of stand-alone pricing may be required under Topic 606. Asset Management performance fees are in scope of Topic 606. Recognition of fees under Topic 606 may differ from current practice, depending on whether the fees are fixed or variable. See TRG Paper 52.</p>

Links to Relevant AICPA Task Force: [Depository and Lending Institutions](#)

APPENDIX II

Presentation and Disclosure

GROSS VERSUS NET PRESENTATION IN 606 RELATED TO BANKS:

When transactions involve two or more parties that contribute to providing a specified good or service to a customer, a bank should assess whether it is acting as a principal in providing goods or services to the customer, or whether it is acting as an agent on behalf of another party who is providing the goods or services to the customer. This analysis is based on whether the bank obtains control (and therefore acts as a principal) of the specified goods or services based on the facts and circumstances of each arrangement. When it is not clear whether the bank obtains control of the specified goods or services, the revenue standard provides indicators to consider:

1) The entity is primarily responsible for fulfilling the promise to provide the specified good or service, 2) The entity has inventory risk, 3) The entity has discretion in establishing the prices for the specified good or service.

In a transaction, when a bank is acting as principal and hiring other parties to assist in performing services, the revenues and expenses earned and incurred should be presented gross in the income statement. Acting in an agency capacity, the bank would only reflect the portion of the fees relating to services they perform as revenue for acting in an agency capacity. An example is merchant-acquiring banks in credit card processing relationships.

DISCLOSURE OBJECTIVES:

ASC 606 includes an overall disclosure objective, which requires the disclosures to include sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. These include comprehensive disclosure requirements about the following:

- ▶ Contracts with customers (e.g., disaggregation of revenue, contract balances, performance obligations, and transaction price allocated to the remaining performance obligations)
- ▶ Significant judgments, and changes in judgments made, in applying ASC 606 to those contracts (e.g., determining the timing of satisfaction of performance obligations, and determining the transaction price and the amounts allocated to performance obligations)

- ▶ Assets recognized in respect of costs incurred in obtaining contracts and in fulfilling contracts

Note: For entities where the pattern of revenue recognition is not significantly impacted by the new revenue standard, the disclosure requirements of the new revenue standard require significant effort from management in order to assemble the necessary information. This may require modification to existing financial applications, requiring significant time and resources for planning, developing, testing, and deployment in advance of the company's actual adoption of the new revenue standard. Additionally, management should document, design, implement, and assess controls around this process.

ADOPTION APPROACH DISCLOSURES:

Based on the approach selected by management on transition, the disclosure requirements are different. However management should keep in mind that for call report purposes, management must apply the new standard on a modified retrospective basis as of the effective date of the standard.

Full Retrospective Method Transitional Disclosure: Under this method, all periods presented would be restated. An entity applying a new accounting principle is required to follow ASC 250, Accounting Changes and Error Corrections, including disclosure for each prior period presented, to the extent practicable, of the amount of the adjustment for each financial statement line item affected. The entity will also be required to provide an explanation of the reasons for any significant changes in the year. The entity is not required to disclose the impact in the year of adoption.

Modified Retrospective Method Transitional Disclosure: Entities may elect to apply the new guidance retrospectively to either all contracts at the date of initial application, or only contracts that are not completed at the date of initial application. Prior periods to the date of adoption are not retrospectively revised. A cumulative effect of adoption is recognized at the date of initial application.

As comparative periods will not be restated, an entity would not be required to provide the disclosures under ASC 606-10-50 and ASC 340-40-50 for the comparative periods presented. However, ASC 606-10-65-1(i) does require, in the year of

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adoption, entities applying the modified retrospective method to disclose the impact of changes to financial statement line items as a result of applying ASC 606 in the initial period of adoption and include an explanation of the reasons for any significant changes. Thus, during 2018 (assuming a calendar year-end public issuer) management will need to maintain accounting records based upon both the legacy and new revenue standards to support development of such required disclosures. Such disclosures are intended to help users of the financial statements understand the effect on trend information.

EFFECTIVE DATE:

For public entities (as defined) that report under US GAAP, ASC 606 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period (i.e., Q1 2018 for calendar year end entities). In accordance with SEC rules, registrants will be required to provide all interim and annual disclosures in the first interim period after adoption (i.e., Q1 2018 Form 10-Q for calendar year end entities).

For nonpublic entities that report under US GAAP, ASC 606 is effective for annual reporting periods beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019.

Early adoption is permitted for all entities but no earlier than periods beginning after December 15, 2016.

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