

CFO JOURNAL

Congressman Introduces Bill Requiring FASB to Study New Standards

Proposal follows lawmakers' efforts in recent months to delay and further study a controversial rule on credit losses



Rep. Blaine Luetkemeyer (R., Mo.) in 2018. Rep. Luetkemeyer introduced a bill Friday in Congress requiring the Financial Accounting Standards Board to formally study the impact of new accounting standards before finalizing them. PHOTO: BILL CLARK/ZUMA PRESS

By Mark Maurer

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A Missouri lawmaker introduced a bill Friday in Congress requiring the Financial Accounting Standards Board to formally study the impact of new accounting standards before finalizing them.

The bill, proposed by Rep. Blaine Luetkemeyer (R., Mo.), would force FASB, which sets accounting standards, to study the effect that new standards would have on market stability, credit availability and the economy. It also seeks to apply the Administrative Procedure Act, which governs how agencies write regulations, to FASB.

Mr. Luetkemeyer, a ranking member of the U.S. House of Representatives' Financial Services Subcommittee on Consumer Protection and Financial Institutions, named the bill the Responsible Accounting Standards Act.

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He has been an opponent of the “current expected credit losses” standard, or CECL, which will require lenders to record expected future losses as soon as loans are issued.

The board adopted the standard in 2016, but it hasn't yet gone into effect. For large public banks, which the FASB defines as those filing to the U.S. Securities and Exchange Commission except for small reporting business entities, CECL will take effect after Dec. 15, 2019.

A spokesperson for the Financial Accounting Foundation, which oversees the FASB, said the Luetkemeyer-sponsored bill misconstrues accounting standards as regulations that can singlehandedly tip the economic scales.

“The FAF and FASB are committed to continue meeting with stakeholders on Capitol Hill and elsewhere to answer their questions, hear their concerns and discuss the time-tested benefits of the integrity of the standard-setting process,” the spokesperson said in a statement.

The bill is the latest effort in Congress to propose legislation enforcing studies for accounting standards. Lawmakers in the U.S. Senate and the House introduced bills in recent months to delay CECL and conduct a study on the standard's potential impact. Banks have argued the need to book losses up front would discourage lending.

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