

FINANCIAL INSTITUTIONS AND SPECIALTY FINANCE

Step(s) within Five-step model	Issue	Description and examples
Scope	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.</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>
Scope	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.
1, 3, 5	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, collectibility (identification of a contract), determination of transaction price and transfer of control.</p>

Links to Relevant AICPA Task Force:

[Depository and Lending Institutions](#)

FINANCIAL SERVICES (ASSET MANAGEMENT AND BROKER-DEALERS¹)

Step(s) within Five-step model	Issue	Description and examples
1, 2, 5, Other	Identifying the customer	<p>In a typical asset management arrangement, whereby a fund enables investors to pool their money in order to benefit from the asset manager's services, there is a question as to whether the fund or the investor would be viewed as the customer.</p> <p>Asset managers need to carefully consider all terms to determine whether the fund or the investor is the customer in each case. This determination is critical as it impacts whether contracts should be combined, the number of and nature of performance obligations, the timing and pattern of control transfer (and thus revenue recognition), and the treatment of related contract costs (e.g., deferred sales commissions, trailing commissions and placement fees).</p>
2, 3, 4	Management and performance fees, including upfront fees and costs	<p>Application of the guidance on variable consideration and the constraint thereon may result in different patterns or timing of revenue recognition for performance-based fees, such as those based on net asset value of a fund. Outcomes will vary depending on the arrangement and fee structure, terms and conditions.</p>
Other	Principal/agent analysis	<p>Entities need to perform a principal/agent analysis to determine whether to present revenue and related expenses on a gross or net basis for certain transactions and arrangements, including but not limited to: securities underwriting; advisory services; cost reimbursement for fund formation; and distributor/sub-distributor arrangements.</p>

Links to Relevant AICPA Task Force:

[Asset Management](#)
[Broker-Dealers](#)

¹ These industries have been combined due to the similarity of issues.

INSURANCE

Step(s) within Five-step model	Issue	Description and examples
Scope	Ancillary services provided by insurance entities	Insurance contracts subject to Topic 944, Financial Services - Insurance, are specifically scoped out of Topic 606. However, certain contracts containing fee-generating ancillary services could be partially in scope. Insurance and other entities that apply Topic 944 need to carefully consider the nature of all services provided to determine if Topic 606 applies.

Links to Relevant AICPA Task Force:

[Insurance](#)