

MINUTES



To: FASB Board Members

From: Accounting for Financial Instruments Team

Subject: December 8, 2010 Joint Board Meeting Minutes: Accounting for Financial Instruments

Date: February 1, 2011

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue an Accounting Standards Update or a Statement of Financial Accounting Concepts.

Topic: Accounting for Financial Instruments: Impairment

Basis for Discussion: Memorandums 75 and 75A

Length of Discussion: 8:00 to 10:30 a.m.

Attendance:

Board members present: FASB: Seidman, Golden, Linsmeier, Siegel and, Smith (Norwalk)

IASB: Tweedie, Cooper, Danjou, Engström, Finnegan, König, Pacter, Smith (London) Gomes, Kalavacherla, Scott, and Wei-Guo (Phone); McGregor and Yamada (Video)

Board members absent: IASB: McConnell

Staff in charge of topic: Sangiuolo (FASB) and Glen (IASB)

Other staff at Board table: FASB: Stoklosa, Roberge, and Putnam

IASB: Lark, Li, and Lloyd (London)

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of a final Accounting Standards Update addressing the accounting for financial instruments. The Board's technical plan calls for that document to be issued in the second quarter of 2011.

Summary of Decisions Reached:

The Boards continued their discussion of the following three methods of accounting for credit impairment presented at the November 17, 2010 joint meeting:

1. Alternative 2: Immediate recognition of losses expected to occur over a period shorter than the expected life of the loan (for example, a reliable period in the future)
2. Alternative 4: Recognition of lifetime expected credit losses using a time-proportionate approach for a good book and full recognition of lifetime expected losses for a bad book
3. Alternative 5: Same as Alternative 4 but with a mechanism to accelerate recognition of expected losses in a good book to accommodate "front loaded" expected loss recognition patterns.

The Boards also discussed an additional alternative (Alternative 4A), which would be the same as Alternative 4 but would require entities to calculate a 12-month expected loss estimate for the good book. The higher of that 12-month expected loss estimate and the time-proportionate allowance balance calculated under Alternative 4 for the good book would be recognized as the allowance amount for the good book. The 12-month expected loss estimate would establish a floor for the good book allowance. The amount of credit impairment recognized on the bad book under Alternative 4A would be the same as under Alternative 4.

The Boards tentatively indicated support for Alternative 4A but directed the staff to develop a principle for determining the estimation period for the expected losses to determine the good book floor rather than use a bright-line threshold such as 12 months. The Boards directed their staffs to perform additional outreach that it could use to evaluate the operability of Alternative 4A. Alternative 4A will be further discussed at the next joint Board meeting.