

MINUTES



**To:** Board Members  
**From:** Hurst (x262)  
**Subject:** Minutes of the July 9, 2003 Board Meeting      **Date:** July 10, 2003  
**cc:** Bielstein, Smith, Petrone, FVM Team (MacDonald, Munro, Pinson),  
Cropsey, Sullivan, Swift, Polley, Leisenring (IASB), Finden (GASB),  
Vincent, Intranet, Damico, Vincent

Topic: Replacement of Statement 107 (Statement 107)

Basis for Discussion: Memorandum dated June 6, 2003

Length of Discussion: 11:05 a.m. to 11:35 a.m.

Attendance:

Board members present: Herz, Crooch (by phone), Schieneman,  
Schipper, Seidman, and Trott

Board members absent: None

Staff in charge of topic: McKenna

Other staff at Board table: Hurst

Outside participants: None

Summary for ACTION ALERT:

The Board decided to remove from the technical agenda its project on disclosures about the fair value of financial instruments that would have replaced FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*. In making that decision, the Board noted that the primary objective of that project was to address issues related to measuring the fair value of financial instruments. The Board plans to address those issues as part of its broader project on fair value measurement.

As part of the project to replace Statement 107, the Board had decided to amend the provisions of FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, relating to the requirement to carry an investment in restricted stock at fair value. The Board decided to make that amendment through an application and implementation project that would be undertaken at some future date.

Matters Discussed and Decisions Reached:

Mr. Herz described how the Statement 107 project is related to the Fair Value Measurement (FVM) project and the Reporting Financial Performance (RFP) project.

Ms. McKenna followed Mr. Herz's remarks and stated that in view of the Board's decision to address the fair value measurement issues related to financial instruments under the FVM project, the staff asked the Board to consider whether, and if so, how, to proceed with the Statement 107 project. She referred to the June 6 memorandum, which outlined the following four alternative future steps identified by the staff:

1. Retain the Statement 107 project and revise its objectives to address only issues related to the definition of a financial instrument, the scope exclusions embodied in paragraph 8 of Statement 107, and the display objective.
2. Remove the Statement 107 project from the Board's agenda and re-assign the display objective to the RFP project.
3. Remove the Statement 107 project from the Board's agenda and do not address display issues until all measurement issues have been resolved.
4. Establish a new project to codify and simplify all disclosures about financial instruments.

Ms. McKenna stated that although the staff did not feel that one alternative was clearly superior to the others, they recommended that the Board reject alternative (4) because scarce staff resources could be used more efficiently and effectively in other areas.

Ms. Schipper stated that she favored alternative (2) because display was one of the main issues in the Statement 107 project, and that issue could be addressed in other projects, as could the measurement issues. She also stated that the RFP project team had asked for additional resources and merging the display objective of the Statement 107 project into the RFP project, would benefit the RFP team.

Mr. Trott stated that he favored alternative (3) on the basis that the measurement issues relating to financial instruments are currently more important and are better aligned with the Board's strategic goals. Additionally, he feared adding the Statement 107 project's display objective would further complicate the already difficult RFP project.

Mr. Schieneman agreed with Mr. Trott and said he felt that the display issues relating to financial instruments were too narrow to be considered as part of the RFP project. He also stated that although he did not want to abandon display issues for financial instruments, he believed that alternative (1) was appropriate because it would still allow the Board to focus on important aspects of financial instruments.

Ms. Seidman, Mr. Crooch, and Mr. Herz each agreed that alternative (3) was the most appropriate direction for the Board. Ms. Seidman suggested editing alternative (3) to say that the Board will take a fresh look at financial instrument display issues after more progress on the measurement issues was accomplished. Mr. Herz emphasized his view that the measurement issues in the Statement 107 project were the most important objective of the project, and he expressed his desire that the Board's consideration of measurement issues relating to the financial instrument component of the FVM project be based on robust, well-staffed discussions. He noted that the Board was in favor of alternative (3) in a 4-2 majority. The Board decided to accept alternative (3) as described by the staff.

Upon this decision, Ms. McKenna then initiated discussion concerning the Board's April 9, 2003 decision to amend Statement 115's guidance regarding restricted stock. Board members affirmed their desire to follow through with such an amendment. Mr. Trott and Mr. Herz referred to the July 8, 2003 Options Valuation Group meeting in which relevant and new information about restricted stock had been brought to the Board's attention. The Board agreed to address whether, and if so, where, an amendment to Statement 115 fit in with the Board's current agenda projects in an upcoming Technical Planning meeting.

Follow-up Items:

None.

General Announcements:

None.