

MINUTES



To: Board Members

From: Statement 140 Amendment Team
(Gagon, Ext. 322)

Subject: Minutes of the March 24, 2004 Board Meeting **Date:** March 26, 2004

cc: Bielstein, Smith, Petrone, Leisenring, Project Team, Mahoney, Thompson, Vincent, Sutay, Gabriele, Swift, Polley, FASB Intranet (e-mail)

Topic: Qualifying Special-Purpose Entities:
Consideration of Public Roundtable

Basis for Discussion: Board memorandum 27
dated March 12, 2004

Length of Discussion: 10:35 a.m. to 11:05 a.m.

Attendance:

Board members present:	Herz, Schipper, Crooch, and Seidman
Board members by phone	Schieneman
Board members absent:	Trott and Batavick
Staff in charge of topic:	Donoghue
Other staff at Board table:	Lott, Smith, Lusniak, and Gagon
Outside participants:	None

Summary of Decisions Reached:

Qualifying special-purpose entities and isolation of transferred assets. The Board decided to hold a public roundtable to seek additional information from constituents about the impact of setoff rights on sale accounting for transferred financial assets. The Board stated that the scope of the roundtable should include other issues that may affect legal isolation in addition to the issue of setoff rights. It is expected that the roundtable will be held at the end of May.

The Board directed the staff to prepare a staff document that would be posted on the FASB website in early April and that would summarize the staff's understanding of legal isolation issues and provide constituents with the opportunity to provide feedback. The Board decided that any comment letters received on the staff document should be included in the public record and posted to the FASB website.

The Board agreed that constituents invited to attend the roundtable should be limited to lawyers, regulators, and rating agencies. However, the Board directed the staff to make sure that accountants and auditors are actively involved in the process and that the staff hold discussions with accountants and auditors prior to the roundtable to identify any issues from practice that should be addressed during the public roundtable.

Matters Discussed and Decisions Reached:

Ms. Donoghue began the meeting by providing a brief background on legal isolation and some of the conflicting legal views that may affect isolation of transferred financial assets. She stated that due to the conflicting views provided to the staff, the staff believes it would be beneficial to hold a public roundtable to discuss the issues associated with legal isolation. The Board agreed that a roundtable would be appropriate and would provide useful information to the staff and the Board for decision-making purposes. Ms. Donoghue mentioned that the roundtable will likely be held at the end of May.

Ms. Donoghue then recommended that the staff prepare a document to summarize the staff's understanding to date of issues that impact legal isolation and post that document to the FASB website for public comment. The Board agreed with the staff's recommendation. The Board directed the staff to make the scope of the document broad enough to include all possible issues that might affect legal isolation rather than focusing solely on the right of setoff and to solicit input from accountants prior to its posting on the FASB website.

In addition, Ms. Donoghue asked the Board if comment letters should be made public and posted to the website, or if the letters could be kept confidential and only a summary of the letters be posted to the website. Ms. Seidman stated that she would be uncomfortable relying on confidential information that others didn't have an opportunity to provide feedback on. Ms. Schipper and Mr. Herz agreed with Ms. Seidman's concern. Ms. Donoghue said that some lawyers and regulators may be reluctant to provide accurate and complete information if it is in conflict with their client or constituent's interests. Mr. Crooch agreed with this argument and stated that it would be beneficial to allow responses on a nonattribution basis to ensure the information received from constituents is as accurate and complete as possible. The Board decided, however, that any comment letters received should be made public.

Lastly, Ms. Donoghue asked the Board if there were any particular persons or organizations the Board would like the staff to include in the roundtable discussion. Ms. Seidman asked why the staff had proposed to exclude accountants from the roundtable discussion. Ms. Donoghue stated that the staff believes that the focus should be on legal issues that are best addressed by lawyers and regulators who provide opinions on these issues. The Board asked that with the expanded scope of the public roundtable, accountants and auditors' views be considered to ensure that all possible issues associated with legal isolation have been addressed and appropriately considered. Mr. Smith recommended that instead of inviting accountants and auditors to the roundtable, the staff should hold discussions with them prior to the roundtable to gain insight on any issues they may have related to legal isolation and then take those issues

to the roundtable with the lawyers, regulators, and rating agencies. The Board did not object to Mr. Smith's recommendation.

Follow-up Items:

None.

General Announcements:

None.