

MINUTES



To: Board Members

From: Statement 140 Interpretation Team
(N. Stell, ext. 211)

Subject: Minutes of the March 12, 2003 Board Meeting **Date:** March 18, 2003

cc: Bielstein, Leisenring, Smith, Swift, Polley, Cassel, Bullen, Lott, Derivatives Implementation Team, Financial Instruments Team, Gabriele, Sutay, Thompson, Vincent (2), Intranet

Topic: Permitted Activities of Qualifying Special-Purpose Entities

Basis for Discussion: Board memorandums dated February 21, 2003; February 28, 2003; and March 6, 2003

Length of Discussion: 10:30 a.m. to 12:00 p.m.

Attendance:

Board members present:	Herz, Trott, Schipper, Foster, Crooch, Wulff, and Schieneman
Board members absent:	None
Staff in charge of topic:	Lusniak and Lott
Other staff at Board table	Bullen, Smith, and Stell
Outside participants:	None

Summary for ACTION ALERT:

The Board identified the following two possible approaches to the project.

- Issue an FASB Interpretation of paragraph 35 of Statement 140
- Amend paragraph 46 of Statement 140 and paragraph 4 of FASB Interpretation No. 46, *Consolidation of Variable Interest Entities*.

The Board directed the staff to prepare analyses of the two approaches for discussion at the March 26, 2003 Board meeting.

Matters Discussed and Decisions Reached:

The Board evaluated ways to limit the scope of the proposed project relating to the permitted activities of qualifying SPEs and agreed to limit the scope only to activities in connection with the accounting for liabilities. To accomplish that objective the Board discussed various alternatives. One alternative would focus on interpreting Statement 140 as to what the permitted activities relating to the accounting for liabilities should be, and another alternative would focus on amending the consolidation principles relating to qualifying SPEs, as set forth in Interpretation 46. The Board did not reach a decision about which approach to choose in proceeding with the project, but instead, directed the staff to prepare an analysis to be discussed at the March 19, 2003 educational session and the March 26, 2003 Board meeting that examines the implications of either:

- Issuing an FASB Interpretation that would interpret paragraph 35 of Statement 140
- Amending paragraph 46 of Statement 140 and paragraph 4 of Interpretation 46.

Follow-up Items:

The staff agreed to prepare an analysis of the two approaches for discussion at the March 19, 2003 educational session and the March 26, 2003 Board meeting.

The Board expects to select an approach at a future Board meeting.

General Announcements:

None.