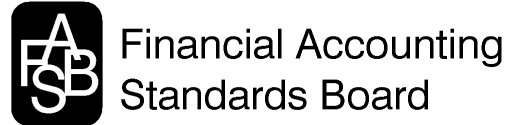


MINUTES



To: Board Members

From: Statement 140 Team
(Sperry, ext. 445)

Subject: Minutes of the July 16, 2008, Board Meeting: Fair Value Practicability Exception **Date:** July 21, 2008

cc: Golden, Bielstein, Lott, Donoghue, Lusniak, Mayer, Yust, Barker, Roberge, Chookaszian, Posta, Gabriele, Glotzer, Allen, Klimek, C. Smith, Mechanick, Wyatt, Nickell, Reager, Cropsey, Proestakes, Wilkins, Sperry, Stoklosa, Tully, Maples FASB Intranet; IASB: Leisenring, Kusi-Yeboah, Teixeira

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 a final Statement, Interpretation, or FASB Staff Position.

Topic: Fair Value Practicability Exception

Basis for Discussion: Board Memorandum No. 93

Length of Discussion: 10:30 a.m. to 10:40 a.m.

Attendance:

Board members present: Batavick, Herz, Linsmeier, Seidman, and L. Smith

Board members absent: None

Staff in charge of topic: Mayer

Other staff at Board table: FASB: Golden, Donoghue, Lusniak, Yust, and Sperry

Summary of Decisions Reached

At the July 16, 2008 meeting, the Board discussed the fair value practicability exception as part of the short-term project to amend FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. The Board unanimously decided to remove the fair value practicability exception in its entirety.

Objectives of Meeting:

The objective of the meeting was to decide whether to retain the practicability exception for measuring fair value in Statement 140. The objective of the meeting was met.

Matters Discussed and Decisions Reached:

Issue: Fair Value Practicability Exception

1. Mr. Mayer noted that Statement 140 requires that a transferor initially recognize and measure all assets obtained and liabilities incurred at fair value, if practicable. When it is not practicable to estimate fair value, no gain on the transfer can be recognized by the transferor. Statement 140 also requires that a transferee recognize and initially measure all assets obtained and any liabilities incurred at fair value. However, the Statement does not provide a fair value practicability exception for the transferee.
2. Mr. Mayer noted that FASB Statement No. 157, *Fair Value Measurements*, retained the practicability exceptions for fair value measurements in certain accounting pronouncements within the scope of that Statement, including the one provided in Statement 140. As discussed in the basis for conclusions in Statement 157, the Board acknowledged that practicability exceptions would create inconsistencies but decided for practical reasons not to address those inconsistencies at that time. However, the Board indicated that issues related to some practicability exceptions would be addressed in other agenda projects.

3. In response to the staff draft of the proposed amendments to Statement 140, some Board members recommended that the practicability exception for estimating fair value in Statement 140 be deleted. The staff reviewed the basis for the practicability exception in paragraphs 298 and 299 of Statement 140. The staff believes that the concerns that lead to the practicability exception have been addressed with the issuance of Statement 157—specifically through the framework for measuring fair value established in Statement 157 and the expanded disclosures about fair value measurements required by that Statement.
4. **Staff Recommendation:** The staff recommended that the fair value practicability exception be removed from Statement 140 in its entirety.
5. **Board Vote:** The Board voted unanimously to remove the fair value practicability exception from Statement 140.
6. **Board Comments:** Ms. Seidman noted that the exception adds complexity since many items within the scope of Statement 140 are subject to other guidance within U.S. generally accepted accounting principles that do not have fair value practicability exceptions. Mr. Batavick further noted that the fair value practicability exception is inconsistent with other guidance within Statement 157.

Follow-up Items:

Mr. Batavick requested an update on the status of the project. Ms. Donoghue informed the Board that the staff has circulated a draft for external review and that comments on the draft had been received from most reviewers. The staff will prepare a preballot draft to be expected the week of July 21, 2008. Ms. Donoghue also informed the Board that the staff is preparing updates to the related literature to Statement 140, including the FASB Special Report, *A Guide to Implementation of Statement 140 on Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, and that a draft may be completed by the week of July 21, 2008.

General Announcements:

None.