

MINUTES



To: Board Members

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

Subject: Revised Minutes of the March 26,
2003 Board Meeting **Date:** March 31, 2003

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

Topic: QSPEs: Alternative Approaches to the
QSPE Project

Basis for Discussion: Board memorandums dated
March 14, 2003 and March 25, 2003

Length of Discussion: 1:00 p.m. to 1:30 p.m.

Attendance:

Board members present:	Herz, Schipper, Foster, Crooch, Wulff, and Schieneman
Board members absent:	Trott (participated by phone)
Staff in charge of topic:	Lusniak
Other staff at Board table	Bullen, Lynn, Smith, and Stell
Outside participants:	Leisenring (IASB)

Summary for ACTION ALERT:

The Board selected The Statement 140 Approach for proceeding with the proposed project relating to the permitted activities of qualifying special-purpose entities (SPEs). The Board expects that the project will result in an amendment to or interpretation of FASB Statement No. 140, *Accounting For Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, to limit the powers of a qualifying SPE to issue and reissue its beneficial interests.

Matters Discussed and Decisions Reached:

The Board evaluated the two project approaches known as The Interpretation 46 Approach and The Statement 140 Approach and discussed the implications of each approach. Five Board Members (RHH, EWT, KAS, GMC, and GSS) voted to support The Statement 140 Approach while two Board Members (JMF and JKW) voted to support the Interpretation 46 Approach. The Board discussed the scope of the project and agreed that it should focus on (1) the powers of the qualifying SPE to issue subsequent or replacement beneficial interests and (2) clarifying the original intent of the Board in Statement 140.

The Board also agreed to address whether a qualifying SPE should be permitted to hold equity instruments in this project. The Board directed the staff to develop within the Statement 140 Approach language that clarifies that beneficial interests can be paid only from the contractual cashflows generated from assets that the qualifying SPE holds. The Board expects to continue its discussion of the scope of the project at a later Board Meeting.

Follow-up Items:

The staff agreed to develop language that specifies that beneficial interests can be paid only from the contractual cashflows generated from the assets that the qualifying SPE holds. The Staff also agreed to explore various alternatives for addressing equity instruments in this project.

General Announcements:

None.