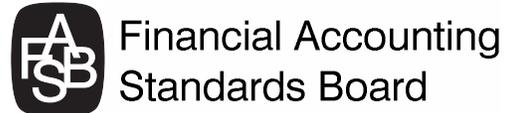


MINUTES



To: Board Members
From: Fair Value Option Team—McGrath
(ext. 443)
Subject: Minutes of the January 3, 2007 Board Meeting: Fair Value Option
Date: January 26, 2007
cc: Bielstein, Smith, MacDonald, Leisenring, Fair Value Option Team, Fair Value Measurements Team, Gabriele, Polley, Swift, Sutay, FASB Intranet

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 or Interpretation.

Topic: Fair Value Option Phase 1 Redeliberations

Basis for Discussion: Board Memorandum No. 30, dated December 28, 2006

Length of Discussion: 9:20 a.m. to 10:10 a.m.

Attendance:

Board members present: Herz, Batavick, Crooch (by phone), Linsmeier, Seidman, Trott, Young, and Leisenring (IASB)

Board member absent: None

Staff in charge of topic: Barker

Other staff at Board table: L. Smith, Wilkins, Lott, C. Smith, and McGrath

Outside participants: None

Summary of Decisions Reached:

The Board discussed the interaction of the disclosures required under the FVO Statement and the disclosures required by FASB Statements No. 107, *Disclosures about Fair Value of Financial Instruments*, and No. 157, *Fair Value Measurements*. The Board decided:

1. As of each date for which a statement of financial position is presented, an entity shall be required to disclose information to enable users to relate each line in the statement of financial position that includes an item or items for which the fair value option has been elected to (a) major categories of assets and liabilities reported pursuant to Statement 157's fair value disclosure requirements and (b) the carrying amounts reported pursuant to Statement 107's disclosure requirements.
2. For each line in the statement of financial position that includes an item or items for which the fair value option has been elected, an entity shall be required to disclose the aggregate carrying amount of items included in each line that are not eligible for the fair value option, if any. That disclosure shall be provided as of each date for which a statement of financial position is presented.

For each period for which an income statement is presented, an entity shall disclose the following about items for which the fair value option has been elected: by line in the statement of financial position, the amounts of gains and losses from fair value changes included in earnings during the period and which line in the income statement those gains and losses are reported. (The Board decided that this disclosure requirement does not preclude an entity from also disclosing the amounts of gains and losses for

other items measured at fair value, such as items required to be measured at fair value.)

Objectives of Meeting:

The objective of the meeting was for the Board to redeliberate certain issues related to Phase 1 of the FVO project. The objective of the meeting was met.

Matters Discussed and Decisions Reached:

1. Ms. Barker stated that the Board would discuss two remaining disclosure topics:
 - a. The extent to which items are measured at fair value in the statement of financial position
 - b. How changes in fair value are reported in the income statement.
2. Ms. Seidman stated that it is not appropriate to reconcile gaps in disclosures due to the differences in scope between Statements 107 and 157 in an elective standard. She also believed it was not necessary to prescribe a table format for any additional disclosures.
3. Ms. Seidman proposed requiring entities to present on the face of the statement of financial position, either by line item or parenthetically, the extent to which they have elected the fair value option. Then, entities would be required to disclose enough information to link the amounts on the statement of financial position to the beginning amounts in the tables currently required by Statements 107 and 157, as applicable. Ms. Seidman stated that this approach would meet the

objective of identifying, both qualitatively and quantitatively, the extent to which the fair value option has been elected.

4. Ms. Seidman pointed out that Statement 157 already requires entities to disclose where fair value changes are reported in the income statement for Level 3 items. She proposed integrating an additional requirement in the FVO Statement that would require such information for Level 1 and Level 2 items. She stated that the FVO Statement should also include an example of an entity providing information in the same area of the footnotes as the information required by Statement 157 about where fair value changes for items for which the FVO was elected are reported in the income statement.
5. Ms. Seidman added that her proposed approach would encourage entities to integrate the disclosures already required by other standards with those required by the FVO Statement. She stated that any remaining gaps in disclosure due to the scopes of Statements 107, 157, and the FVO Statement could be addressed later, if deemed necessary.
6. Mr. Trott agreed with Ms. Seidman. He stated that a prescribed table was unnecessary and that entities should be given the flexibility to integrate the FVO Statement disclosures with other disclosures in their own way. Mr. Batavick agreed and stated that he did not want the disclosure requirements to be overly prescriptive, because there would be no way to apply a prescriptive format to all entities.
7. Mr. Young stated that he was concerned with requiring integration of the FVO disclosures with the disclosure requirements of Statements 107 and 157 because it might take away from the simplicity of electing the FVO.

8. Mr. Linsmeier stated that he would prefer tabular disclosure of the impact of electing the fair value option on both the statement of financial position and the income statement, but he did not want to require any new tabular disclosures. Mr. Linsmeier stated that he wanted to work toward developing a comprehensive tabular disclosure that would incorporate all of the disclosure requirements of Statements 107, 157, and the FVO Statement. Mr. Trott suggested that Ms. Seidman's approach could permit entities to provide more comprehensive information about all items carried at fair value and not just items for which the FVO was elected.
9. All Board members agreed to require entities to disclose information to enable users to understand how each line in the statement of financial position that includes an item or items for which the fair value option has been elected relates to (a) major categories of assets and liabilities reported pursuant to Statement 157's fair value disclosure requirements and (b) the carrying amounts reported pursuant to Statement 107's disclosure requirements. Also, for each period for which an income statement is presented, an entity shall disclose the following about items for which the fair value option has been elected: by line in the statement of financial position, the amounts of gains and losses from fair value changes included in earnings during the period and which line in the income statement those gains and losses are reported. (The Board decided that this disclosure requirement does not preclude an entity from also disclosing the amounts of gains and losses for other items measured at fair value, such as items required to be measured at fair value.)
10. Mr. Young pointed out that the most common concern of users was determining when the FVO was available but not taken. He stated

that the format of the disclosures was not as important as finding a way to integrate that information. Ms. Seidman stated that requiring entities to present information on the extent to which the FVO was taken, either parenthetically or by separate line item, implicitly provides information on when the FVO was available but not taken. Ms. Seidman acknowledged that there may be some cases where line items on the statement of financial position include both financial and nonfinancial items (for example, Other Assets), which might make it more difficult to determine which line items were eligible for the FVO but not taken.

11. Mr. Trott stated that he did not see the usefulness in disclosing when the FVO was available but not taken. He stated that Statement 157 already provides enough information about fair value measurements, and that additional information about when the FVO was available but not taken would not add any clarity to the financial statements. Mr. Trott noted that disclosing when the FVO was available but not taken makes the disclosure requirements of the FVO Statement even more difficult and does not add to comparability. Ms. Seidman disagreed and stated that requiring entities to disclose when the FVO was available but not taken would encourage entities to tell a better story about why they chose to elect only a portion of the eligible item.
12. Ms. Seidman suggested that, for each line in the statement of financial position that includes an item or items for which the fair value option has been elected, an entity should be required to disclose the aggregate carrying amount of items included in each line that are not eligible for the fair value option, if any. The Board agreed to that suggestion by a vote of six to one (EWT).

Follow-up Items:

13. None

General Announcements:

14. None