MINUTES

To:	Board Members		
From:	Fair Value Measurement Team (Mohrhauser, x442; Montgomery, x445)		
Subject:	Minutes of the November 18, 2010, Joint Board Meeting	**Date:**	November 22, 2010
cc:	Bielstein, Leisenring, Stoklosa, Chookaszian, Lott, Posta, Guasp, Sutay, Klimek, Gabriele, McGarity, Couch, Proestakes; 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 an Accounting Standards Update or a Statement of Financial Accounting Concepts.

Topic: Fair Value Measurement—November Deliberations

Basis for Discussion: Board Memorandum Nos. 17–21

Length of Discussion: 10:15 a.m.to 12:30 p.m. EST

Attendance:

Board members present:	FASB: Golden, Seidman, Smith, Siegel, and Linsmeier IASB: Tweedie (by video), Cooper, Danjou, Engström, Finnegan, Gomes, Kalavacherla, König, McConnell, McGregor, Pacter, Scott, Smith, Yamada, and Zhang
Board members absent:	none
Staff in charge of topic:	Couch and Eastman
Other staff at Board table:	FASB: Stoklosa IASB: Clark, Teixeira, Kusi-Yeboah, Upton, and Kim (by video)
Outside participants:	none

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of a final Accounting Standards Update addressing fair value measurement.

The Board's technical plan calls for that document to be issued in the first quarter of 2011.

Summary of Decisions Reached:

Measuring the Fair Value of a Reporting Entity's Own Equity Instruments

The Boards tentatively decided that an entity may apply the guidance on measuring the fair value of liabilities when measuring the fair value of its own equity instruments. The Boards also tentatively decided to clarify that the objective of measuring the fair value of a liability or an entity's own equity instrument is to estimate an exit price from the perspective of a market participant who holds the corresponding asset at the measurement date, regardless of whether that asset is traded (for example, on an exchange). (Vote—IASB: unanimous; FASB: unanimous)

Measuring the Fair Value of a Group of Financial Assets and Financial Liabilities

The Boards tentatively decided the following:

1. An entity may measure the fair value of financial instruments that are managed on the basis of the entity's net exposure to a particular market risk, or to the credit risk of a particular counterparty, on a net basis if there is evidence that the entity manages its financial instruments in this way. Such evidence includes the following:

    a. Having a documented risk management or investment strategy

    b. Providing information about the entity's net risk exposure resulting from the financial instruments to management.

2. An entity may measure the fair value of financial instruments in this way only if those instruments are measured at fair value in the statement of financial position. An entity may not measure the fair value of its financial instruments on the basis of the entity's net risk exposure if the fair value of those instruments is only required to be disclosed.

3. When measuring the fair value of financial instruments on the basis of an entity's net risk exposure, the entity must make an accounting policy decision. That policy must be applied consistently from period to period

(that is, an entity cannot choose to measure the fair value of its financial instruments on the basis of the entity's net risk exposure in one period and not the next, and it must use a consistent technique to assess its net risk exposure from one period to the next). If an entity makes an accounting policy decision to measure its financial instruments in this way, it must disclose that fact.

4. When measuring the fair value of an entity's financial instruments on the basis of the entity's net risk exposure, the objective is to estimate an exit price from the perspective of a market participant who holds that net risk position at the measurement date. When measuring the fair value of the net risk position, an entity should take into account the availability of Level 1 inputs, the timing and legal enforceability of any credit risk mitigants, and the extent to which the underlying market risks associated with the financial instruments are offset. (Vote—IASB: unanimous; FASB: unanimous)

The Boards also tentatively decided to describe common methodologies for allocating bid-ask and credit adjustments to the unit of account but not to require a particular method of allocation. Such allocations should be done on a reasonable and consistent basis. (Vote—IASB: 14 to 1; FASB: 4 to 1)

Premiums and Discounts in a Fair Value Measurement

The Boards tentatively decided that when measuring the fair value of an asset or liability when a Level 1 input is not available, an entity may apply discounts and premiums only if those discounts or premiums are consistent with the unit of account specified in another standard and if market participants would take into account such discounts or premiums when pricing the asset or liability. If the unit of account is not specified in another standard, an entity should apply discounts and premiums when market participants would do so to maximize the value of the asset or liability on the basis of how they would enter into a transaction for that asset or liability. (Vote—IASB: unanimous; FASB: unanimous)

Disclosures about Fair Value Measurements

The Boards tentatively decided to require an entity to provide the following information about Level 3 fair value measurements:

1. A quantitative disclosure of the unobservable inputs and assumptions used in the measurement

2. A description of the valuation control processes in place

3. A discussion of the sensitivity of the fair value to changes in unobservable inputs and any inter-relationships between those inputs that magnify or mitigate the effect on the measurement.

The Boards also tentatively decided to perform further analysis about the operationality of a measurement uncertainty analysis disclosure that provides a range of fair values (exit prices) that could have resulted from the use of other reasonable unobservable inputs in the fair value measurement. Because the Boards do not wish to delay the progress and improvements they have made to develop common fair value measurement standards, the Boards will perform this analysis as a separate part of the fair value measurement project to be finalized after completion of their respective standards. (Vote—IASB: unanimous; FASB: unanimous)

General Announcements: None.