MINUTES

To:	FASB Board Members		
From:	Accounting for Financial Instruments Team		
Subject:	March 2, 2011 Board Meeting Minutes: Accounting for Financial Instruments	**Date:**	March 10, 2011

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: Accounting for Financial Instruments: Classification and Measurement

Basis for Discussion: Memorandums 76, 76A, and 77

Length of Discussion: 1:00 to 2:45 p.m.

Attendance:

Board members present: Seidman, Buck, Golden, Linsmeier, Schroeder, Siegel, and Smith

Staff in charge of topic: Handy and Laungani

Other staff at Board table: Cosper, Stoklosa, Mechanick, Roberge, Farr, Farber, Gagnon, and Keller

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 the accounting for financial instruments. The Board's technical plan calls for that document to be issued in the second quarter of 2011.

Summary of Decisions Reached

Equity Securities

The Board discussed the classification and measurement of equity securities (other than instruments that can be redeemed only for a certain amount or that are measured according to the equity method of accounting). The Board decided that all marketable equity securities should be measured at fair value with all changes in fair value recognized in net income.

For nonpublic entities, the Board tentatively decided that a practicability exception to fair value measurement should be provided for investments in nonmarketable equity securities. The practicability exception would permit nonmarketable equity securities to be measured at cost less any other-than-temporary impairment; upward adjustments in fair value would be recognized when information about a change in price is observable. Public entities would be required to measure investments in nonmarketable securities at fair value with all changes in fair value recognized in net income.

The Board requested the staff to refine the practicability exception to determine whether observable information about changes in the price of the security should include changes based on transactions involving only identical instruments or whether changes could be based on transactions involving similar securities or other sources of information about the value of the securities. The Board also requested the staff to perform additional analysis of whether the scope of the exception should be:

1. Further restricted to nonpublic entities that are not financial institutions.

2. Expanded to include public entities because a requirement that nonmarketable equity securities be reported at fair value on the face of an entity's statement of financial position instead of within the notes to the financial statements may affect how public entities develop such fair value measurements. The Board will reconsider the decision on the classification and measurement of nonmarketable equity securities by public entities upon completion of this analysis.

Financial Liabilities

The Board discussed the classification and measurement of “plain-vanilla” financial liabilities, such as core deposit liabilities and an entity’s own debt. The Board decided that these financial liabilities would be classified and measured using the business strategy criterion developed for financial assets, which would require financial liabilities to be measured at fair value with all changes in fair value recognized in net income or at amortized cost based on the entity’s business activity for those financial liabilities.

The Board will continue its discussions on classification and measurement of financial instruments at future Board meetings. These discussions will include the characteristics of the instrument criterion, the business strategy criterion, and application of these criteria to certain financial instruments (for example, hybrid financial instruments).