MINUTES

To: FASB Board Members

From: Accounting for Financial Instruments Team

Subject: Board Meeting Minutes: Accounting for Financial Instruments: Classification and Measurment

Date: May 31, 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: Impairment

Basis for Discussion: FASB Memorandum 91
IASB Agenda Paper 6C

Length of Discussion: 3:00 p.m. to 3:15 p.m. (EDT)

Attendance:

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

Board members absent: None

Staff in charge of topic: Farr

Other staff at Board table: Roberge, Handy, and Farr

Outside participants: None

<u>Type of Document and Timing Based on the Technical Plan</u>:

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 2011.

<u>Summary of Decisions Reached</u>:

The Board discussed how an entity would classify and measure financial liabilities, including whether a requirement to apply the business strategy criterion developed for financial assets to financial liabilities would be unnecessarily complex.

The Board decided that an entity would apply a cash flow characteristics criterion similar to that developed for financial assets in determining how it would classify and measure a financial asset. The Board decided, however, that a different business strategy principle and criterion should be used for financial liabilities. That is, an entity would measure at amortized cost financial liabilities meeting the characteristics of the instrument criterion except when *either* of the following conditions is met:

1. The financial liability is held for transfer at acquisition, issuance, or inception, and the entity has the ability and means to transact at the financial liability's fair value.

2. The financial liability is a short sale.

Financial liabilities that meet either of those conditions should be classified as fair value through net income (FV-NI).

The Boards voted unanimously to pursue this approach.