MINUTES

To:	FASB Board Members
From:	Accounting for Financial Instruments Team
Subject:	September 21, 2011 Joint Board Meeting on Accounting for Financial Instruments: Impairment
Date:	September 23, 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: Memorandums 108–111 IASB: Agenda Papers 4–4C
Length of Discussion:	9:10 a.m. to 12:35 p.m. EDT

Attendance:

Board members present:	FASB: Seidman, Buck, Golden, Linsmeier, Schroeder, Siegel, and Smith (Norwalk) IASB: Hoogervorst, Mackintosh, Cooper, Danjou, Engstrom, Finnegan, Gomes, Kalavacherla, Konig, McConnell, Ochi, Pacter, Scott, Smith, and Wei-Guo (London)
Board members absent:	None
Staff in charge of topic:	IASB: Feygina, Glen, and Streckenbach
Other staff at Board table:	Lloyd, Friedhoff, Stoklosa, Roberge, Sangiuolo, Kane, Keller, and Watanabe
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 IASB and the FASB continued to discuss a 'three-bucket' expected loss approach to the impairment of financial assets, which makes the maximum use of credit risk management systems.

The Boards discussed the feedback received from the initial outreach activities, in particular the operational challenges that would result from the requirement to classify all financial assets in Bucket 1 on initial recognition. The operational issues arise because current credit risk management systems do not typically store historical data, including origination data, in a way that is easily accessible for accounting purposes. To address these operational concerns, the Boards tentatively decided to classify financial assets within the buckets in accordance with their credit quality levels as of the reporting date.

The Boards recognized that such an approach would lead to day-one recognition of lifetime expected credit losses for financial assets classified outside Bucket 1. The Boards directed the staff to explore how to deal within the context of the model, with (1) purchased financial assets, including those purchased under a business combination, that are required to be initially measured at fair value and (2) entities that primarily engage in origination of financial assets at lower credit quality levels.

The Boards discussed transfers of financial assets between the buckets and considered relevant feedback received in initial outreach activities. The Boards agreed that the transfer between the buckets should be based on a principle rather on a bright line. The Boards also agreed that the principle should reflect the point in time when the credit risk associated with the financial assets increases to the point that there is current significant uncertainty about the ability to collect contractual cash flows and the entity begins to manage the financial assets more actively because of the heightened credit risk.