

MINUTES



To: Board Members
From: Ben Couch (x364)
Subject: Minutes of May 9, 2012 Board Meeting
Date: May 23, 2012
cc: **Stacey Sutay**

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: Disclosures about Liquidity Risk and Interest Rate Risk

Basis for Discussion: Memo 150

Length of Discussion: 8:42 a.m. to 9:28 a.m.

Attendance:

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

Board members absent: None

Staff in charge of topic: Couch

Other staff at Board table: Handy, Laungani, and Green

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues related to the development of a proposed Accounting Standards Update that would require disclosures about liquidity risk and interest rate risk. These issues included changes to specific proposed qualitative disclosure requirements and the definition of the term *financial institution* as it would be used in the proposed Update.

The Board's technical plan calls for this document to be issued in the second quarter of 2012.

Summary of Decisions Reached:

The Board clarified its intent to require specific qualitative disclosures in the proposed Update by deciding that a reporting entity should provide any additional quantitative or narrative disclosure necessary to provide users of financial statements with an understanding of its exposure to liquidity risk and interest rate risk. To meet that objective, the Board decided that a reporting entity should discuss the significant changes in timing and amounts, as reflected by proposed tabular disclosures, that occur from the last reporting period to the current period, discussing reasons for the change(s) and actions taken, if any, during the current period to manage the exposure. [The Board vote was unanimous.]

The Board also clarified its intent with respect to defining the term *financial institution* as it would be used in the proposed Update. The Board decided to create a definition through the drafting of the proposed Update that focuses on business activities that would lead a reporting entity or a reportable segment to be considered a financial institution. The Board decided that the definition will be developed using the basic premise that a financial institution engages in activities with the intent of earning its primary source of income as a result of managing the difference between returns paid on its financial liabilities and returns received on its financial assets. An entity or reportable segment that meets a definition of *financial institution* that is developed on this premise should be required to provide the disclosures in the proposed Update that apply only to financial institutions. The Board also decided that entities or reportable segments that provide insurance should be required to provide the same disclosures. The Board further clarified that entities that carry substantially all of their assets at fair value with changes in fair value recognized in net income should not be required to provide the disclosures in the proposed Update that apply only to financial institutions. [The Board vote was five to two.]