

MINUTES



**To:** FASB Board Members  
**From:** Accounting for Financial Instruments Team  
**Subject:** June 20, 2012 FASB Board Meeting—Accounting for Financial Instruments: Classification and Measurement  
**Date:** June 25, 2012

*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 161 and 162

Length of Discussion: 11:10 a.m. to 12:17 p.m. EST

Attendance:

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

Board members absent: None

Staff in charge of topic: Tyson and Green

Other staff at Board table: Stoklosa, Handy, Shah, Laungani, and Couch

Outside participants: Feygina and Lark (IASB)

**Type of Document and Timing Based on the Technical Plan:**

The Board met to discuss issues relating to the development of an Accounting Standards Update addressing the accounting for financial instruments. The Board has not yet determined the expected timing of the next due process document.

**Summary of Decisions Reached:**

*Presentation of Changes in Fair Value Attributable to Changes in “Own Credit” for Financial Liabilities Measured at FVNI Designated under the Fair Value Option*

The Board discussed the presentation of changes in fair value that result from a change in a reporting entity’s own credit risk for financial liabilities that are designated under the fair value option and, thus, measured at fair value with all changes in fair value recognized in net income (FVNI). The Board decided that an entity would present such changes separately in other comprehensive income (OCI).

Five of the Board members voted in favor of the above decision.

The Board also decided that cumulative gains and losses recognized in OCI associated with changes in own credit will be recognized in net income upon the settlement of the liability. In addition, the entire risk in excess of a base market risk, such as a risk-free interest rate, would be considered as the change in own credit or an alternative method that an entity deems as a more faithful measurement of such a risk.

Seven of the Board members voted in favor of the above decision.

*Nonmarketable Equity Securities Practicability Exception for Public Entities*

The Board discussed whether to permit an exception to the measurement approach for nonmarketable equity securities (other than instruments that are measured according to the equity method of accounting or result in consolidation of an entity) held by public entities. The Board decided to provide public entities with the same practicability exception for measuring investments in nonmarketable equity securities as that provided to nonpublic entities.

Four of the Board members voted in favor of the above decision.