

MINUTES



To: FASB Board Members
From: Accounting for Financial Instruments Team
Subject: August 1, 2012 FASB Board Meeting—Accounting for Financial Instruments: Impairment
Date: August 2, 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: Impairment

Basis for Discussion: Memorandum 175

Length of Discussion: 8:00 a.m. to 8:36 a.m. EDT

Attendance:

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

Board members absent: None

Staff in charge of topic: Kane

Other staff at Board table: Stoklosa, Handy, Tyson, and Rayfield

Outside participants: Cooper, Scott, Edelmann, Streckenbach, Lloyd, Friedhoff, and Kapsis (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's technical plan calls for an exposure document to be issued in the second half of 2012.

Summary of Decisions Reached:

The Board discussed how it would like the staff to address stakeholders' significant concerns about the understandability, operability, and auditability of the three-bucket credit impairment model under development. The Board expressed concern that attempting to clarify the transfer notion and the Bucket 1 measurement concept may still result in a credit impairment allowance that is difficult for users to understand as a result of the dual-measurement approach in the three-bucket model. As a result, the Board directed the staff to explore an alternative expected loss model that (a) does not utilize a dual-measurement approach and (b) reflects all credit risk in the portfolio. Such an approach would allow the Board to leverage several key concepts that have been jointly deliberated and agreed upon with the IASB, while at the same time creating an impairment model that is more understandable, operable, and auditable. The Board indicated its intent to move forward expeditiously in deliberating such an alternative approach. The FASB has invited the IASB to monitor the deliberations on the alternative model and the FASB has committed to sharing its progress with the IASB early this fall.

The Board members voted unanimously in favor of the above decision.