MINUTES

Financial Accounting Standards Board

To:	FASB Board Members
From:	Accounting for Financial Instruments Team
Subject:	October 3, 2012 FASB Board Meeting—Accounting for Financial Instruments: Impairment
Date:	October 15, 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 193
Length of Discussion:	8:30 a.m. to 9:34 a.m. EDT

Attendance:

Board members present:	Seidman, Buck, Golden, Linsmeier, Siegel, Smith, and Schroeder
Board members absent:	None
Staff in charge of topic:	Tyson
Other staff at Board table:	Stoklosa, Kane, McKinney, and Rayfield
Outside participants:	Kapsis and Streckenbach (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 during the fourth quarter of 2012.

Summary of Decisions Reached:

At the October 3, 2012 Board meeting, the Board discussed disclosures and related presentation issues related to the Current Expected Credit Loss (CECL) model.

Disclosures

The Board tentatively decided to require the following disclosures:

1. Expected credit loss calculations (disaggregated at the portfolio segment level):
    a. A discussion of the inputs and specific assumptions an entity factors into its estimate of expected credit loss, including a description of the reasonable and supportable forecasts about the future that affected their estimate.
    b. How the information above is developed and utilized in measuring expected credit losses.
2. Allowance narrative disclosures (disaggregated at the portfolio segment level):
    a. A discussion of the changes in credit loss expectations and the reasons for those changes.
    b. A discussion of the changes in estimation techniques used and the reasons for the change.
    c. Reasons for a significant amount of write-offs.
3. Financial asset roll forward (disaggregated at the portfolio segment level):
    a. A roll forward of the amortized cost balances of financial assets within the scope of the impairment model that are classified at amortized cost, from the beginning of the period to the end of the period.
    b. A roll forward of the amortized cost balances of financial assets within the scope of the impairment model that are classified at FV-OCI, from the beginning of the period to the end of the period.

4. Use of the practical expedient for financial assets measured at FV-OCI (disaggregated at the portfolio segment level):
   a. The amortized cost balance of assets measured at FV-OCI that apply the practical expedient to not measure expected credit losses.
5. Nonaccrual assets:
   a. The average recorded investment in nonaccrual debt instruments.
   b. The amount of interest income recognized during the period on nonaccrual debt instruments.
   c. The amortized cost of debt instruments on nonaccrual status as of the reporting date.
   d. The amortized cost of debt instruments on nonaccrual status for which there are no related expected credit losses as of the reporting date because the debt instrument is fully collateralized.
6. Purchased credit-impaired assets:
   a. A reconciliation of PCI assets purchased in the current period, including the purchase price of those assets, the discount attributable to expected credit losses, the discount attributable to non-credit factors, and the par value of the assets.
7. Collateral disclosures (disaggregated at the class level):
   a. A discussion of the quality of collateral securing an entity's financial assets.
   b. An explanation of any changes in the quality of collateral, whether because of a general deterioration, a change in appraisal policies by the reporting entity, or some other reason.

The Board also tentatively decided to amend implementation guidance in paragraph 310-10-55-8 that provides information on the credit quality of financial assets.

Seven Board Members voted in favor of these decisions.

Presentation

The Board tentatively decided that balance sheet and income statement amounts for purchased credit-impaired assets need not be presented separately from non-PCI assets.

Seven Board Members voted in favor of this decision.