

MINUTES



To: FASB Board Members

From: Repurchase Agreements and Similar Transactions Team

Subject: December 18, 2013 FASB Board Meeting—Repurchase Agreements and Similar Transactions **Date:** December 19, 2013

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 Repurchase Agreements and Similar Transactions

Basis for Discussion: Memorandums 29 and 30

Length of Discussion: 10:33 a.m. to 11:59 a.m. EDT

Attendance:

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

Board members absent: None

Staff in charge of topic: Zimmerman

Other staff at Board table: Cospers, Esposito, Sangiuolo, Debbink, and Nguyen

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board continued redeliberations of its January 2013 Exposure Draft, *Transfers and Servicing (Topic 860): Effective Control for Transfers with Forward Agreements to Repurchase Assets and Accounting for Repurchase Financings*. A final Accounting Standards Update is expected to be issued in the first quarter of 2014.

Tentative Board Decisions:

The Board discussed the feedback received in limited outreach meetings on its tentative decisions reached during redeliberation.

Accounting for Repurchase-to-Maturity Transactions

The Board affirmed its proposal in the proposed Update that a repurchase-to-maturity transaction on a held-to-maturity security would not taint an entity's held-to-maturity portfolio.

Seven Board members voted in favor of this decision.

Substantially-the-Same Criterion for Effective Control

After considering feedback received related to determining whether a transfer of an existing mortgage-backed security and a forward repurchase of a To Be Announced (TBA) security are substantially the same, the Board decided to not move forward with implementation guidance based on the presence of trade stipulations. In addition, the Board decided to make no changes to the guidance on substantially the same as part of this project. The Board decided that it would consider whether to pursue any amendments to substantially the same separately from this project.

Seven Board members voted in favor of this decision.

Disclosures: Transfers of Financial Assets Accounted for as a Sale (Set 1)

At the October 2, 2013 Board meeting, the Board decided to require new disclosures for transactions that comprise a transfer of financial assets to a transferee and an agreement done in contemplation of the initial transfer with the same transferee that results in the transferor retaining substantially all of the exposure to the return of the transferred financial asset throughout the term of the transaction. The Board decided to require disclosure of the following information necessary to understand the nature of the transactions, the transferor's continuing exposure to the transferred financial assets, and the presentation of the components of the transaction in the financial statements:

1. The carrying amounts of assets derecognized as of the date of the initial transfer in transactions for which an agreement with the transferee remains outstanding at the reporting date, by type of transaction (for example, repurchase agreement, securities lending, sale and total return swap, and so forth). If the amounts have changed significantly from prior periods or are not representative of the activity throughout the period, a discussion of the reasons for the change should be disclosed.
2. Information about the transferor's ongoing exposure to the transferred financial assets by type of transaction
 - a. A description of the arrangements that result in the transferor retaining exposure to the transferred financial assets by type of transaction
 - b. The risks related to the transferred financial assets to which the transferor continues to be exposed after the transfer
 - c. As of the reporting date, the following amounts to provide users of financial statements with information about the reporting entity's maximum exposure to financial assets that are not recognized in its statement of financial position:
 - i. The fair value of assets derecognized by the transferor for transactions described in paragraph (1) by type of transaction
3. Amounts recorded in the statement of financial position arising from the transaction by type of transaction in paragraph (1), for example, the carrying value or fair value of forward repurchase agreements or swap contracts. To the extent these amounts are captured in the derivative disclosure requirements under paragraph 815-10-50-4B, an entity should provide a cross-reference to the appropriate line item in the disclosure.

At today's Board meeting, the Board affirmed its decision to require those disclosures. In addition, the Board decided to require disclosure of the amount of proceeds received by a transferor in the transaction. The Board also agreed to clarify that the disclosures would not be required for dollar roll transactions that do not meet the substantially-the-same characteristics.

Seven Board members voted in favor of this decision.

Disclosures: Asset Quality Disclosures (Set 2)

At the October 2, 2013 Board meeting, the Board discussed new requirements to disclose information about the asset quality of transferred financial assets to provide financial statement users with an understanding of the risks inherent in the transferred financial assets. The disclosures discussed by the Board would have required separate presentation of the following information for transfers of financial assets for which an agreement with the transferee remains outstanding at the balance sheet date that are accounted for as both sales and secured borrowings, by type of transaction:

1. A disaggregation of the gross proceeds/gross obligation arising from the transaction by the class of financial assets that were transferred in accordance with paragraph 820-10-50-2B

2. The fair value of the financial assets transferred for each class of financial assets
3. Weighted-average contractual duration for each class of financial assets
4. A qualitative discussion of any obligation arising from a decline in the fair value of the transferred financial assets.

At today's meeting, the Board decided to require the disclosure of asset quality information described in items (1)-(4) above; however, the Board decided to limit the scope of the disclosure to repurchase agreements and securities lending transactions that are accounted for as secured borrowings only. Additionally, the Board tentatively decided to require disclosure of the tenor (maturity profile) of the agreement.

Four Board members voted in favor of this decision.

Transition Method, Effective Date, and Early Adoption

The Board discussed transition methods and affirmed its previous decision to require a cumulative-effect approach for all changes in accounting.

Seven Board members voted in favor of this decision.

The Board also affirmed its previous decision not to require additional transition disclosures beyond those that are already required by Topic 250, Accounting Changes and Error Corrections.

Seven Board members voted in favor of this decision.

The Board decided that for public business entities, the changes would be effective for the first interim or annual period beginning after December 15, 2014. For all other entities, the changes would be effective for annual periods beginning after December 15, 2014, and interim periods beginning after December 15, 2015.

Five Board members voted in favor of this decision.

The Board decided not to allow early adoption for a public business entity. However, the Board decided that an entity other than a public business entity may elect to apply the requirements for interim periods beginning after December 15, 2014, as required for a public business entity.

Seven Board members voted in favor of this decision.

Next Steps

This meeting marks the completion of the Board's discussions on the project. The Board directed the staff to draft a final Accounting Standards Update for vote by written ballot.