

MINUTES



MEMORANDUM

To: Board Members

From: Accounting for Financial Instruments Team

Subject: January 14, 2015 Board Meeting—
Accounting for Financial Instruments: Classification and Measurement

Date: January 30, 2015

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: FASB Memo No. 284 (R) — Analysis of Costs and Complexity of Decisions Reached to Date and Transition

Length of Discussion: 9:00 a.m. to 11:00 a.m. EST

Attendance:

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

Board members absent: None

Staff in charge of topic: Gupta and Milone

Other staff at Board table: Cosper, Esposito, and Cahill

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board continued rediliberations of its proposed Accounting Standards Update, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*.

The Board's technical plan calls for a final Accounting Standards Update to be issued in the second quarter of 2015.

Tentative Board Decisions:

The Board continued redeliberating the February 2013 proposed Accounting Standards Update, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, specifically discussing disclosures about core deposit liabilities and hybrid financial instruments containing bifurcated embedded derivatives, the benefits, costs, and complexity of the decisions reached to date, and the transition method.

Disclosures about Core Deposit Liabilities

The Board decided not to retain the proposed disclosures about core deposit liabilities. The proposal would have required public business entities to disclose, for each annual period, the balance of its core deposit liabilities, the weighted-average life of the core deposit liabilities based on the entity's historical experience, and a qualitative description of what management considers to be core deposits.

(Vote: 4-3)

Disclosures about Hybrid Financial Instruments Containing Bifurcated Embedded Derivatives

The Board decided that entities should be required to disclose the carrying amount, measurement attribute, and line item within the financial statements in which bifurcated embedded derivatives and related host contracts are presented and that the disclosure should be provided in financial statements issued after the change is effective (prospective transition).

(Vote: 7-0)

The Board decided to expose that proposed disclosure for public comment and directed the staff to draft a proposed Accounting Standards Update with a comment period ending April 30, 2015, for vote by written ballot. The Board will decide whether and how to finalize that change after it considers the stakeholder feedback received.

(Vote: 7-0)

Benefits and Costs

The Board discussed a staff analysis of the benefits, costs, and complexity of the proposed changes to generally accepted accounting principles. A majority of the Board believe that the expected benefits of those changes justify the perceived costs of providing and using the information.

(Vote: 4-3; three Board members dissented)

The Board directed the staff to draft a final Accounting Standards Update for vote by written ballot.

Transition

The Board affirmed its decision in the February 2013 proposed Update to require a modified retrospective transition approach that will require a cumulative-effect adjustment to the statement of financial position as of the beginning of the first reporting period in which the guidance is effective. The Board also decided that the guidance for the practical expedient related to nonmarketable equity securities and the disclosure requirements should be effective prospectively.

(Vote: 7-0)

Next Steps

The Board will discuss and decide on the effective date of the changes after the final Accounting Standards Update has been drafted.

General Announcements: None