MINUTES

Financial Accounting Standards Board

To: FASB Board Members

From: Accounting for Financial Instruments Team

Subject: February 24, 2010 Board Meeting Minutes: Accounting for Financial Instruments **Date:** March 1, 2010

cc: FASB: Golden, Bielstein, Stoklosa, Laungani, Lott, Proestakes, Wilkins, Maroney, Sangiuolo, Inzano, Ampofo, Worshek, Farber, H. Yang, K. Yang, Putnam, Kubic, Willis, C. Smith, Brickman, Homant, Chookaszian, Posta, Glotzer, Mechanick, Gabriele, Sutay, FASB Intranet, Klimck, McGarity

GASB: Finden

IASB: Leisenring, Francis, Friedhoff, Figgie, Teixeira, Clark

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: Equity Method Investments, Scope and Classification and Measurement of Liabilites
Basis for Discussion:	Memorandums No. 35, 29, and 38
Length of Discussion:	8:00 to 11:00 a.m.
Attendance:	
Board members present:	Herz, Linsmeier, Smith, Seidman, and Siegel
Board members absent:	none
Staff in charge of topic:	Worshek (Equity Method), Maroney (Scope), and Inzano (Liabilities)

Other staff at Board table: Farber, Golden, Kubic, Laungani, Sangiuolo, C. Smith, Stoklosa, Putnam, and Wilkins

Outside participants: none

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of an Exposure Draft of a proposed Accounting Standards Update on accounting for financial instruments. The Board's technical plan calls for that document to be issued in March 2010.

Summary of Decisions Reached:

Equity Method Investments

1. The Board discussed nonconsolidated equity investments accounted for under the equity method. The Board decided that an investor should apply the equity method of accounting if the investor has significant influence over the investee and the investment is considered related to the investor's consolidated businesses. Otherwise, the investment would be measured at fair value with changes included in earnings. The Board directed the staff to develop the criteria for determining whether an investee is related to the investor's consolidated businesses. (Vote 3-2)

2. The Board decided that an entity may not elect the fair value option for equity investments that would be accounted for under the equity method under the decision reached above. (Vote 3-2)

Scope

3. The Board decided that certain aspects of the classification and measurement guidance in the proposed Update would be effective for nonpublic entities with less than $1 billion in consolidated total assets with a delayed effective date. The Board decided that these exempted entities would be required to apply all classification and measurement guidance in the proposed Update four years after the original effective date. (Vote 4 for, 1 abstention)

4. The Board decided that entities that qualify for the delayed effective date would measure the following financial instruments at amortized cost in their financial statements for the four-year period between the original effective date and the delayed effective date:

Loans that would qualify for certain changes in fair value to be recognized in other comprehensive income under the classification and measurementguidance included in the proposed Update.

5. The Board also decided to require fair value disclosures for these loans in the notes to the financial statements in accordance with the exit price notion in *FASB Accounting Standards Codification*™ Topic 820 on fair value measurements and disclosures. The Board decided not to require disclosure of the remeasurement amount for core deposit liabilities in the notes to the financial statements. (Vote 4 for, 1 abstention)

Classification and Measurement of Liabilities

6. The Board discussed the accounting for financial liabilities and how to address changes in an entity's own credit risk of financial liabilities measured at fair value.

7. The Board affirmed their previous classification and measurement decisions on financial liabilities and decided to include separate presentation of significant changes in fair value related to changes in an entity's creditworthiness.

8. Financial liabilities with a principal amount that are held for payment of contractual cash flows that do not contain embedded derivative features that require bifurcation under Subtopic 815-15 on embedded derivatives would be measured at fair value, with certain changes in fair value presented in other comprehensive income. (Vote 4-1)

9. Financial liabilities with a principal amount that are held for payment of contractual cash flows that contain an embedded derivative that requires bifurcation under Subtopic 815-15 would be measured at fair value, with changes in fair value presented in net income. (Vote 5-0)

10. For all financial liabilities measured at fair value, including financial liabilities without a principal amount and financial liabilities that are not held for payment of contractual cash flows, an entity would present on the face of the performance statement significant changes in fair value related to changes in the entity's credit standing. That information would be presented separately for financial liabilities for which certain changes in fair value are presented in other comprehensive income and financial liabilities for which all changes in fair value are presented in net income. The amount presented on the performance statement would reflect only the change in the entity's creditworthiness and not a change in the price of credit.

11. The Board will discuss at a later meeting how changes in fair value related to an entity's creditworthiness should be measured.

General Announcements:

None