

MINUTES



MEMORANDUM

To: Board Members
From: Accounting for Financial Instruments Team
Subject: Minutes of the June 5, 2019 Board Meeting
Date: June 20, 2019

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: Financial Instruments—Credit Losses Implementation

Basis for Discussion: FASB Memo No. 1, “Post-TRG Issues”

Length of Discussion: 9:00 a.m. to 9:30 a.m. EDT

Attendance:

Board members present: Golden, Kroeker, Botosan, Buesser, Cospers, Hunt, and Schroeder

Board members absent: None

Staff in charge of topic: Mohomed

Other staff at Board table: Kuhaneck, Romano, Cryderman, Jepsen, and Williams

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 addressing Codification improvements to Topic 326, Financial Instruments—Credit Losses.

The Board has not yet determined the timing of the release of that Exposure Draft.

Tentative Board Decisions:

The Board discussed the following three topics raised by stakeholders during the implementation of Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*:

1. Negative Allowances on Purchased Financial Assets with Credit Deterioration
2. Negative Allowances on Available-for-Sale Debt Securities
3. Miscellaneous Technical Improvements Related to Update 2016-13.

Negative Allowances on Purchased Financial Assets with Credit Deterioration (PCD)

The Board decided to permit an entity to record negative allowances on writeoffs or expected writeoffs of the amortized cost basis of PCD assets within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost. **[Vote: 7-0]**

Negative Allowances on Available-for-Sale (AFS) Debt Securities

The Board decided to retain existing guidance that prohibits entities from recording negative allowances for AFS debt securities. **[Vote: 7-0]**

Miscellaneous Technical Improvements Related to Update 2016-13

The Board decided to make the following miscellaneous technical improvements:

1. Troubled debt restructuring transition relief—Codify a previous decision from the December 13, 2017 Board meeting to provide transition relief to permit entities to calculate the prepayment-adjusted effective interest rate using prepayment assumptions as of the date of adoption of Topic 326.

2. Accrued interest receivable disclosure relief—Provide disclosure relief to allow entities, as a practical expedient, to exclude the accrued interest receivables component of amortized cost basis from certain disclosures in Topic 320, Investments—Debt and Equity Securities, if the accrued interest receivables are measured and presented separately from the other components of amortized cost basis.
3. Collateral maintenance practical expedient—Clarify the scope and methodology for estimating credit losses when applying the collateral maintenance practical expedient in paragraph 326-20-35-6.
4. Cross-reference to Subtopic 326-20—Amend the reference in paragraph 805-20-50-1(b) that refers to superseded guidance in Subtopic 310-30, Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality, to refer to Subtopic 326-20.

[Vote: 7-0]

Effective Date and Transition Requirements

The Board decided that:

1. For entities that have not adopted the amendments in Update 2016-13, the transition requirements and effective dates of the proposed amendments would align with those of Update 2016-13.
2. For entities that have adopted the amendments in Update 2016-13, the proposed amendments would be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption would be permitted if an entity has already adopted the amendments in Update 2016-13.
3. For entities that have adopted the amendments in Update 2016-13, the proposed amendments would be applied on a modified retrospective basis by means of a cumulative-effect adjustment to the opening retained earnings balance in the statement of financial position as of the date an entity adopted the amendments in Update 2016-13.

[Vote: 7-0]

Analysis of Costs and Benefits

The Board concluded that it has received sufficient information and analysis to make an informed decision on the topics presented and that, subject to what it learns through comment letters, the expected benefits of the amendments would justify the expected costs.

[Vote: 7-0]

Next Steps

The Board directed the staff to draft a proposed Accounting Standards Update for vote by written ballot, with a comment period of 30 days.

[Vote: 7-0]

General Announcements:

Effective Date Consideration for Private Companies, Not-for-profit Organizations, and Small Public Companies

The Board discussed the staff's research and outreach plan. The staff plans to provide its results and analysis for discussion at the July 17, 2019 Board meeting.