

MINUTES



MEMORANDUM

To: Board Members
From: Reference Rate Reform Team
Subject: Minutes of June 19, 2019 Board Meeting
Date: June 28, 2019
cc: Dawn Tosches

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: Reference Rate Reform: Facilitation of the Effects of the Interbank Offered Rate Transition on Financial Reporting

Basis for Discussion: FASB Memo No. 1, *Proposed Scoping Criteria and IBOR Contract Modification Relief*

Length of Discussion: 9:00am to 9:45am EDT

Attendance:

Board members present: Golden, Kroeker, Botosan, Hunt, Shroeder, Buesser, and Cosper

Staff in charge of topic: Um

Other staff at Board table: Casas, Challen, Starkey, Jentgen, Jepsen, and Sanguuolo

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of an Exposure Draft that would facilitate the effects on financial reporting of the market-wide migration from interbank offered rates (IBORs) to alternative rates.

Tentative Board Decisions:

The Board discussed the following topics:

1. The scope criteria for determining whether a contract modification may qualify for relief
2. The recognition and measurement relief for contract modifications that meet the scope criteria
3. Whether the application of the relief should be mandatory or optional on a Codification Topic-by-Topic basis.

Scope Criteria

The Board decided on the following principles for the scope criteria:

1. Contracts that reference the London Interbank Offered Rate or an interest rate that has been discontinued or is anticipated to be discontinued would qualify for the relief guidance. **(Vote: 7-0)**
2. Critical term changes that are either essential to or related to the replacement of an interest rate would qualify for the relief guidance. The Board also decided to provide examples of eligible and ineligible changes. **(Vote: 7-0)**

Relief Guidance

The Board decided to provide relief from the following:

1. The assessment to determine whether a modification to a loan or debt instrument is a troubled debt restructuring, modification, or extinguishment in accordance with Subtopics 310-20, Receivables—Nonrefundable Fees and Other Costs, 310-40, Receivables—Troubled Debt Restructurings by Creditors, 470-50, Debt—Modifications and Extinguishments, and 470-60, Debt—Troubled Debt Restructurings by Debtors
2. The lease modification accounting requirements in accordance with Topic 842, Leases
3. The reassessment of embedded derivatives in accordance with Topic 815, Derivatives and Hedging. **(Vote: 7-0 for 1-3)**

For all other contract modifications, the Board decided to provide a principle that would allow such modifications to be considered a continuation of the contract for the purposes of the relevant Topic. **(Vote: 7-0)**

Option to Apply Relief

The Board decided to provide an option for an entity to determine whether it wants to apply the relief on a Codification Topic-by-Topic basis. **(Vote: 7-0)**

Next Steps

The Board will discuss the following topics at a future meeting:

1. Hedge accounting relief
2. Disclosures
3. Transition
4. Relief period.

General Announcements: None.