

MINUTES



MEMORANDUM

To: Board Members
From: Reference Rate Reform Team
Subject: Minutes of July 17th, 2019 Board Meeting
Date: July 19th, 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. 2, *Proposed Hedge Accounting Relief* and FASB Memo No. 3, *Transition, Disclosures, Relief Period, Cost Benefit, Comment Period, and Permission to Ballot*

Length of Discussion: 9:00 to 9:55am 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, Fritz, and Sanguolo

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of a proposed Accounting Standards Update that would facilitate the effects on financial reporting of the market-wide migration from interbank offered rates (IBORs) to alternative rates.

Tentative Board Decisions:

Reference rate reform: facilitation of the effects of the interbank offered rate transition on financial reporting. The Board discussed the following topics:

1. Hedge accounting relief
2. Transition method, disclosures, and relief period.

Hedge Accounting Relief

The Board decided to:

1. Allow an entity to continue a hedging relationship without dedesignation upon a change in the critical terms of the hedging instrument due to reference rate reform. **(Vote: 7-0)**
2. Allow an entity to change the benchmark interest rate designated as the hedged risk in a fair value hedging relationship without dedesignation if that designated benchmark interest rate is affected by reference rate reform. If this practical expedient is elected, an entity would:
 - i. Adjust the fair value hedge basis adjustment due to the change in the designated hedged risk **(Vote: 7-0)**
 - ii. Make an accounting policy election to recognize the adjustment either immediately in current earnings or in earnings in the same manner as other components of the carrying amount of the hedged asset or liability. **(Vote: 5-2)**
3. Allow an entity to apply certain practical expedients for the initial and subsequent assessments of hedge effectiveness for a cash flow hedging relationship affected by reference rate reform. **(Vote: 7-0)**

4. Allow an entity to apply the elections in items 1 through 3 on a hedge-by-hedge basis. **(Vote: 7-0)**

Transition Method, Disclosures, and Relief Period

The Board decided that if an entity elects to apply the proposed guidance, the entity would:

1. Apply the guidance prospectively **(Vote: 7-0)**
2. Disclose the nature of and reason for electing the guidance in each interim financial statement of the fiscal year of change and the annual financial statement of the period of the change in accordance with Topic 250, Accounting Changes and Error Corrections **(Vote: 7-0)**
3. Cease applying the guidance as of January 1, 2023. **(Vote: 7-0)**

Analysis of Costs and Benefits

The Board concluded that it has received sufficient information and analyses to make an informed decision on the perceived costs (or cost savings) of the guidance and that the expected benefits would justify the expected costs (or cost savings) of the optional expedients in the proposed Update. **(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.

General Announcements: None