

MINUTES



MEMORANDUM

To: Board Members
From: Lazar, x384
Subject: Minutes of July 17, 2019 Board Meeting
Date: July 22, 2019
cc: 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: Effective Date Consideration for Private Companies, Not-for-Profit Organizations, and Small Public Companies

Basis for Discussion: Effective Date Consideration for Private Companies, Not-for-Profit Organizations, and Small Public Companies Memo No. 1, "Effective Date Considerations for Major Projects"

Insurance Implementation Memo No. 1, "Update on Monitoring and Support of Implementation Activities"

Length of Discussion: 10:00 a.m. to 11:10 a.m. (EDT)

Attendance:

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

Board members absent: None

Staff in charge of topic: Roberge

Other staff at Board table: Kuhaneck, Posta, Casas, Cryderman, Challen, Mohomend, Lazar, and Cole

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board discussed its research project on the effective dates for private companies, not-for-profit organizations, and small public companies. Please refer to the current technical plan for information about project timelines.

Tentative Board Decisions:

Credit Losses, Leases, and Hedging

The Board decided to add a project to its technical agenda to consider the effective dates for these entities of Topic 326, Financial Instruments—Credit Losses (referred to as CECL), Topic 842, Leases, and the recent amendments to Topic 815, Derivatives and Hedging (referred to as Hedging).

(Vote: 7-0)

The Board decided to adopt a two-bucket approach to stagger effective dates for major standards as follows:

1. Bucket One—SEC Filers (GAAP definition), excluding [smaller reporting companies \(SRCs\) as currently defined by the SEC](#)
2. Bucket Two—All other entities, which includes:
 - a. All other public business entities (PBEs), including SRCs
 - b. Private companies
 - c. All not-for-profit organizations, including not-for-profit entities that have issued, or are conduit bond obligors for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market
 - d. All employee benefit plans, including employee benefit plans that file financial statements with the SEC.

(Vote: 7-0)

The Board decided that for CECL, Leases, and Hedging, entities within Bucket Two should be afforded an effective date of at least two years after the effective date for Bucket One. The Board agreed with the following application of the two-bucket approach:

CECL

The Board decided that CECL will be effective for PBEs that are SEC Filers, excluding SRCs as currently defined by the SEC, for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For calendar-year-end companies, this will be January 1, 2020. The determination of whether an entity is an SRC will be based on an entity's most recent assessment in accordance with SEC regulations. For all other entities, the Board decided that CECL will be effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. For all entities, early adoption will continue to be permitted; that is, early adoption is allowed for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (that is, effective January 1, 2019 for calendar-year-end companies).

Hedging

The Board decided to retain the existing effective date for Hedging for PBEs, which is for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years; that is, effective January 1, 2019 for calendar-year-end companies. The Board decided to defer the mandatory effective date for Hedging for all other entities by an additional year. Therefore, Hedging will be effective for entities other than PBEs for fiscal years beginning after December 15, 2020 (effective January 1, 2021 for calendar-year-end companies), and interim periods within fiscal years beginning after December 15, 2021 (January 1, 2022 for calendar-year-end companies). Early adoption will continue to be allowed.

Leases

The Board decided to retain the existing effective date for Leases for (a) all PBEs, (b) not-for-profit bond obligors, and (c) employee benefit plans that file or furnish financial statements with the SEC, which is for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (effective January 1, 2019 for calendar-year-end companies). The Board decided to defer the mandatory effective date for Leases for all other entities by an additional year. Therefore, Leases will be effective for all other entities beginning after December 15, 2020 (January 1, 2021 for calendar-year-end companies), and interim periods within fiscal years beginning after December 15, 2021 (January 1, 2022 for calendar-year-end companies). Early adoption will continue to be allowed.

(Vote: 7-0)

The Board concluded that it has received sufficient information and analysis to make an informed decision on the perceived costs of the changes and that the expected benefits would justify the expected costs of the amendments in the proposed Accounting Standards Update. The Board directed the staff to draft a proposed Accounting Standards Update for vote by written ballot on the proposed amendments regarding the effective dates for CECL, Hedging, and Leases.

(Vote: 7-0)

The Board decided that the comment period for the proposed Accounting Standards Update would be 30 days.

(Vote: 7-0)

Insurance

The Board decided to add a project to the technical agenda to amend the effective dates for the recent amendments made to Topic 944, Financial Services—Insurance.

(Vote: 7-0)

The Board decided to provide PBEs with at least one additional year to transition to Insurance and to apply the two-bucket approach.

(Vote: 7-0)

Therefore, the Board decided that Insurance will be effective for PBEs that are SEC Filers, excluding SRCs as currently defined by the SEC, for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. For calendar-year companies, this will be January 1, 2022. The determination of whether an entity is an SRC would be based on an entity's most recent assessment in accordance with SEC regulations. For all other entities, the Board decided that Insurance will be effective for fiscal years beginning after December 15, 2023 (January 1, 2024 for calendar-year-end companies), and interim periods within fiscal years beginning after December 15, 2024 (January 1, 2025 for calendar-year-end companies). Early adoption will continue to be allowed. (The Board voted 5–2 on the decision to require interim reporting requirements be in the year following the fiscal year of adoption as opposed to interim periods within that fiscal year for bucket two).

(Vote: 7-0)

The Board concluded that it has received sufficient information and analysis to make an informed decision on the perceived costs of the changes and that the expected benefits would justify the expected costs of the amendments in the proposed Accounting Standards Update. The Board directed the staff to draft a proposed Accounting Standards Update for vote by written ballot on the proposed amendments regarding the effective dates for Insurance.

(Vote: 7-0)

The Board decided that the comment period for the proposed Update would be 30 days.

(Vote: 7-0)

Open Discussion: The acting technical director announced the issuance today of a second FASB staff question-and-answer document (Q&A) on CECL. The Q&A addresses forecasting and other issues. The acting director also announced that the Board authorized the FASB staff to plan a series of CECL workshops to be held around the country. More information about the workshops will be available on the FASB website in the coming weeks.