

MINUTES



MEMORANDUM

To: Board Members
From: Reference Rate Reform Team
Subject: Minutes of December 9, 2020 Board Meeting on Reference Rate Reform—Topic 848 Scope
Date: December 17, 2020
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: Reference Rate Reform—Topic 848 Scope

Basis for Discussion: Memo No. 3, “Comment Letter Summary, Redeliberations, Cost-Benefit, Permission to Ballot”

Length of Discussion: 9:00 a.m. to 9:30 a.m. (EST)

Attendance:

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

Staff in charge of topic: Cahill

Other staff at Board table: Salo, Casas, Tice, and Mancini

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board discussed its ongoing monitoring of reference rate reform initiatives and comment letter feedback received on its proposed Accounting Standards Update, *Reference Rate Reform (Topic 848): Scope Refinement*.

Tentative Board Decisions:

Scope

The Board affirmed its decision to clarify the scope of Topic 848 with the following changes to the proposed guidance to improve the clarity and operability:

- a. Clarify that contract modification relief may be applied to contracts that reference the London Interbank Offered Rate (LIBOR) or another reference rate that is expected to be discontinued as a result of reference rate reform and that are affected by the discounting transition
- b. Simplify the hedge accounting relief by removing the prescriptive guidance in proposed paragraph 848-30-25-9A on the addition of one or more basis swaps.

(Vote: 7-0)

Additional Issues Identified

The Board decided to provide additional optional relief to allow receive-variable-rate, pay-variable-rate cross-currency interest rate swaps that are affected by reference rate reform to continue to qualify as eligible hedging instruments in net investment hedges. **(Vote: 7-0)**

Transition and Effective Date

The Board affirmed its decision that the optional relief guidance should be effective immediately with retrospective application available as of the date of application of the amendments in Accounting Standards Update No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. **(Vote: 7-0)**

Cost-Benefit Analysis

The Board decided 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 final Update. **(Vote: 7-0)**

Next Steps

The Board directed the staff to draft an Accounting Standards Update for vote by written ballot. **(Vote: 7-0)**

General Announcements: None