

MINUTES



MEMORANDUM

To: Board Members

From: Current Expected Credit Losses (CECL) Team

Subject: Minutes of July 14, 2021 Board Meeting on the Accounting for Acquired Financial Assets

Date: July 20, 2021

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: Accounting for acquired financial assets within the scope of Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*

Basis for Discussion: FASB Memo No. 1, "Agenda Decision—Acquired Financial Assets"

Length of Discussion: 9:15 a.m. to 9:46 a.m. (EDT)

Attendance:

Board members present: Jones, Kroeker, Botosan, Buesser, Cannon, Cosper, and Hunt

Board members absent: None

Staff in charge of topic: Shah

Other staff at Board table: Salo, Smith, Lewis, Heckman, Paul, and Helm

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss adding a project to its technical agenda for the accounting for acquired financial assets within the scope of Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and has not yet determined the timing of the release of an Exposure Draft.

Tentative Board Decisions:

The Board discussed whether to add a project to its technical agenda to address the accounting for acquired financial assets in accordance with Update 2016-13.

The Board added a project to its technical agenda to consider (1) expanding the scope of the purchased credit deteriorated (PCD) accounting model to all loans acquired in a business combination and (2) modifying the presentation of expected credit losses for acquired financial assets that meet the definition of PCD. **(Vote 6-1)**

The Board also directed the staff to perform additional research and outreach related to the accounting for acquired financial assets including:

- a. A potential scope expansion to apply PCD accounting to (i) other financial assets (not just loans) acquired in a business combination and/or (ii) all acquired seasoned loans, including loans acquired in an asset acquisition.
- b. A potential scope reduction that would exclude debt securities, beneficial interests, credit cards and other revolving borrowing arrangements, trade accounts receivables, and other assets from the PCD accounting model
- c. A potential change in measurement that would base the allowance for credit losses on the purchase price—instead of par—for those assets applying PCD accounting.

General Announcements: None