

**Overview of Decisions Reached on
PCC Issue No. 13-03B, “Accounting for Receive-Variable, Pay-Fixed Interest
Rate Swaps—Combined Instruments Approach”**

The Private Company Council (PCC) decided to withdraw the combined instruments approach alternative, thereby removing this project from its agenda.

Date of Meeting: January 28, 2014

The PCC decided to remove Issue No. 13-03B, *Accounting for Receive-Variable, Pay-Fixed Interest Rate Swaps—Combined Instruments Approach*, from its agenda. The PCC originally proposed two alternatives to account for certain types of interest rate swaps: the simplified hedge accounting approach and the combined instruments approach. At a previous meeting, the PCC voted to finalize the simplified hedge accounting approach and that decision was endorsed by the Board and issued as FASB Accounting Standards Update No. 2014-03, *Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps—Simplified Hedge Accounting Approach*, on January 16, 2014. The PCC also previously decided to separate the combined instruments approach from the original proposal and directed the FASB staff to conduct further research.

At the January 28, 2014 meeting, the PCC discussed a summary of the staff’s research findings including considerations related to potential alternatives for the combined instruments approach. The PCC considered the viability of the combined instruments approach with a focus on whether the alternative should include a requirement that the swap and borrowing involve the same counterparty. Because the swap and related variable-rate borrowing involve separate legal contracts that do not meet the requirements for a right of setoff, the PCC noted that conceptual issues identified under the approach would continue to exist even if a criterion were added requiring that the swap and borrowing involve the same counterparty. The PCC also considered research on the Dodd-Frank Wall Street Reform and Consumer Protection Act, which is currently being implemented and may limit the number of transactions eligible for the approach.

Furthermore, in reaching its decision to remove Issue No. 13-03B from the agenda, the PCC took into consideration the simplified hedge accounting approach and concluded that Update 2014-03 meets the original proposal’s objective of reducing the cost and complexity of applying hedge accounting for certain types of interest rate swaps while maintaining relevant information for private company financial statement users.