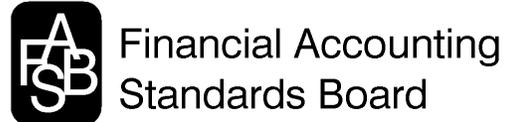


MINUTES



To: Board Members
From: Statement 140 and Interpretation 46(R)
Teams (Sperry, ext. 445)
Subject: Minutes of the November 24, 2008
Board Meeting: Statement 140 and Interpretation 46(R) Disclosure FSP
Date: December 12, 2008
cc: FASB: Golden, Bielstein, Lott, Proestakes, Stoklosa, Donoghue, Mayer, Hood, Barker, Maroney, Roberge, Lusniak, Nickell, Inzano, Mathys, Yust, Sperry, Reager, C. Smith, Chookaszian, Posta, Gabriele, Glotzer, Mechanick, Cropsey, Wilkins, Allen, Klimek, FASB Intranet; IASB: Leisenring, Kusi-Yeboah, Teixeira

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 a final Statement, Interpretation, or FASB Staff Position.

Topic: Statement 140 and Interpretation 46(R) Disclosure FSP

Basis for Discussion: Board Memorandum No. 108

Length of Discussion: 8:00 a.m. to 8:30 a.m.

Attendance:

Board members present: Herz, Linsmeier, Seidman, Siegel, and L. Smith

Board members absent: None

Other participants: Leisenring (IASB)

Staff in charge of topic: Mayer, Hood, Donoghue (by phone)

Other staff at Board table: Golden, Roberge, Nickell, Sperry, and Yust

Summary of Decisions Reached

The Board decided that a nontransferor reporting entity that is either (1) a sponsor with a variable interest in a qualifying special-purpose entity (SPE) or (2) a servicer with a significant variable interest in a qualifying SPE should disclose its maximum exposure to loss that may result from its involvement with the qualifying SPE.

The Board also reaffirmed that the disclosure requirements of the final FSP should apply to financial information covering both interim and annual reporting periods.

The Board also asked the staff to clarify how straightforward involvements by a transferor in a qualifying SPE should be disclosed (paragraph B4 of the FSP), for example, involvement through a plain vanilla interest rate swap.

Objectives of Meeting:

The purpose of the meeting was to redeliberate the issues raised by respondents to the external review of the FSP FAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities*. The objective of the meeting was met.

Matters Discussed and Decisions Reached:

Issue 1: Disclosure of Maximum Exposure to Loss

1. Ms. Donoghue stated that the intent in drafting the disclosure requirements for nontransferors in a qualifying SPE was to make the disclosure requirements as similar as we could to the disclosure requirements of those under Interpretation 46(R). She further noted that the requirement to disclose the maximum exposure to loss was removed from the FSP when the scope of disclosures included nontransferor entities with a variable interest in a qualifying SPE. She stated that several external reviewers noted that this requirement should be included in the FSP. She stated that the staff believes that this information will likely be available to a sponsor with a variable interest in a qualifying SPE and a servicer with a significant variable interest in a qualifying SPE.
2. **Staff Recommendation:** The staff recommended that the FSP have a requirement to disclose the maximum exposure to loss by sponsor that has a variable interest in a

qualifying SPE and a servicer that has a significant variable interest in a qualifying SPE.

3. **Board Vote:** The Board unanimously voted to support the staff recommendation.
4. **Board Comments:** Mr. Smith asked why the staff distinguishes between a sponsor with a variable interest in a qualifying SPE and a servicer with a *significant* variable interest in a qualifying SPE. Ms. Donoghue stated that the staff believes that in most cases a sponsor will be the sole sponsor of an entity and would be likely have the power and ability to direct so would be the primary beneficiary under the proposed amendments to the Interpretation 46(R). Mr. Roberge also stated that a servicer would not be within the scope of Interpretation 46(R) unless the variable interest is significant.
5. Mr. Smith expressed concern that many variable interests that were in fact significant would not have been considered significant two years ago. Mr. Roberge replied that this would likely be more of a concern to a sponsor than a servicer. Mr. Golden stated that to normally fall within the scope of Interpretation 46(R) an interest would need to be significant. He further noted that the guidance assumed that a sponsor's interest is always significant and that the disclosures for sponsors should have a lower threshold than the threshold for a variable interest held by a servicer which is less likely to be significant. Ms. Seidman clarified that the servicer would still be required to make all of the disclosures as required under other U.S. GAAP.

Issue 2: Reporting periods required by the FSP

6. Mr. Linsmeier stated that the proposed FSP required interim and annual disclosure and that the staff had changed the reporting requirement to the first interim or annual period ending after the issuance of the FSP, with only annual disclosure required thereafter.
7. **Staff Recommendation:** The staff drafted the proposed FSP with the requirement that the disclosures of the FSP be made in the first interim or annual period ending

after the issuance of the FSP, with only annual disclosure required thereafter. The staff stated that the SEC currently requires interim disclosure when there is a material difference between the interim disclosure and the annual disclosure.

8. **Board Vote:** The Board agreed that the FSP should be required for all reporting periods, both interim and annual, ending after the issuance of the FSP. Mr. Smith indicated that he would not object to the requirement.
9. **Board Comments:** Mr. Linsmeier stated that interim and annual disclosure was very important, due to the important nature of these enhanced disclosures. He noted that this FSP is being issued as an interim measure to provide financial statement users with important information until Statement 140 and Interpretation 46(R) are amended.
10. Mr. Golden stated that the current wording would require annual disclosure with interim disclosure if, as per SEC guidance, there is a material change in the disclosure. Mr. Linsmeier stated that he preferred a requirement for both interim and annual disclosure rather than relying on financial statement preparers and auditors to decide when interim disclosure would be relevant. Mr. Herz agreed with Mr. Linsmeier's proposal.
11. Mr. Smith stated that he felt that the SEC requirement was sufficient, but that he would not object to the requirement. Ms. Seidman stated that she believed that there was a different process between preparing a required interim disclosure and determining if an interim disclosure were required based on whether there were a material difference from the annual disclosure.

Follow-up Items:

Definition of Continuing Involvement

12. Mr. Linsmeier stated that the Board added a scope exception for certain instances when other U.S. GAAP required disclosure for items also disclosed under the FSP (mainly for certain derivatives and guarantees). He noted that there were several

external review comments that suggested that the definition of continuing involvement be modified to better explain what types of derivatives should be included. He stated that the staff made changes to the definition to address some comments raised during external review.

13. The staff's current draft modified the definition of continuing involvement to narrow the scope of derivatives that would be considered continuing involvement in addition to the scope exemption for items also disclosed under other U.S. GAAP.
14. Mr. Linsmeier stated that he did not believe that any change to the definition of continuing involvement was necessary given the addition of the scope exception for certain items also disclosed under other U.S. GAAP. Mr. Sperry stated that the staff intent with that change was to clarify when a derivative would be considered to be related to financial assets. Mr. Herz was concerned that the narrowed language would not be operational.
15. Ms. Donoghue stated that the staff will seek to improve the wording of the draft to clarify that certain continuing involvements should be disclosed (paragraph B4 of the FSP), for example, involvement through a plain vanilla interest rate swap.

General Announcements:

None.