

MINUTES



**To:** Board Members

**From:** Donoghue (ext. 374), Lusniak (ext. 214), Detling (ext. 354)

**Subject:** Minutes of the June 13, 2007 Board Meeting—Transfers with Repurchase Financing Agreements: Disclosure, Effective Date, Comment Period **Date:** July 2, 2007

**cc:** L. Smith, MacDonald, R. Golden, Bielstein, Leisenring, Lott, 140 Project Team, Chookaszian, Polley, Gabriele, Allen, Sutay, Jacobs, FASB Intranet

*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: Transfers with Repurchase Financing Agreements: Disclosure, Effective Date, Comment Period, & Preballot Approval

Basis for Discussion: Memorandum 76, dated June 13, 2007

Length of Discussion: 10:15 to 10:30 a.m

Attendance:

Board members present: Herz, Batavick, Crooch, Linsmeier, Seidman, Trott, and Young

Board members absent: none

Staff in charge of topic: Zecher

Other staff at Board table: Detling, Donoghue, Golden, Lusniak, L. Smith

Outside participants: Leisenring (IASB)

Summary of Decisions Reached:

The Board discussed proposed FASB Staff Position (FSP) FAS 140-d, *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions*. The Board made the following decisions:

- a. The FSP should be effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years.
- b. The guidance should be applied using a limited form of retrospective application. That is, the guidance will be effective for (a) new transactions entered into after the start of the first fiscal year beginning after November 15, 2007 and (b) repurchase financings outstanding on the start of the first fiscal year beginning after November 15, 2007. For outstanding repurchase financings, the cumulative effect of the change would be recognized as an adjustment to the opening balance of retained earnings (or other components of equity or net assets) as of the beginning of the first fiscal year in which the FSP is initially applied.
- c. Upon initial application, entities should disclose (a) the nature of the change, (b) the cumulative effect of the change on retained earnings (or other components of equity or net assets) in the statement of financial position, and (c) the effect of the change on any other financial statement line items in the statement of financial position.
- d. The comment period for the proposed FSP should end on the later of 30 days after issuance or August 31, 2007.

The Board directed the staff to proceed to a draft of the proposed FSP for vote by written ballot. The Board expects that the proposed FSP will be issued in July 2007.

Objective of the Meeting:

The objective of the meeting was for the Board to discuss certain issues related to disclosures, effective date, and comment period for the proposed FSP. The objective of the meeting was met.

Matters Discussed and Decisions Reached:

**INTRODUCTION**

1. Ms. Donoghue began the discussion by explaining that the staff is currently drafting the proposed FSP. In drafting the document, the staff has come across items that require additional input from the Board. In addition, new general transition procedures are in the process of being completed and the staff desires that this FSP be consistent with them.

**DISCLOSURES**

2. Ms. Zecher stated that the Board previously decided that the guidance in the proposed FSP should be applied to new transactions and to outstanding transactions. The staff has revised the verbiage in the FSP to state that it should be applied using a limited form of retrospective application to be consistent with the upcoming transition procedures. That is, for outstanding repurchase financings the cumulative effect of the change would be recognized as an adjustment to the opening balance of retained earnings (or other components of equity or net assets) for that fiscal year.

3. Ms. Zecher also stated that to ensure that users understand the effect of the change, the staff recommends that the proposed FSP require a reporting entity to disclose the nature of the change and the cumulative effect of the change on retained earnings (or on other components of equity or net assets) in the statement of financial position. The staff believes that the other disclosures referred to in FASB Statement No. 154, *Accounting Changes and Error Corrections* would not provide a significant amount of useful information to users, given the costs.

4. Mr. Young stated that reporting entities should also be required to disclose the effect on individual asset and liability balances. The Board agreed with the staff recommendation and agreed that entities should be required to disclose the effect of the new guidance on any other financial statement line items in the statement of financial position as well.

#### **EFFECTIVE DATE**

5. Ms. Zecher stated that at the May 30, 2007 meeting, the Board decided that the guidance in the proposed FSP should be effective as of the beginning of the first fiscal year following the issuance date of the FSP. The staff recommends the proposed FSP use a specific effective date to get a better sense from constituents as to whether the systems needed to implement the proposed guidance could be developed and operational by the estimated effective date. This will likely be a requirement in the upcoming transition procedures. The staff recommends that the proposed FSP be effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years.

6. The Board agreed with the staff recommendation. Mr. Batavick questioned whether that date would provide adequate time for preparers to develop systems to apply the guidance. The staff will specifically request this information in the notice to recipients when the proposed FSP is exposed.

#### **COMMENT PERIOD**

7. Ms. Zecher stated that comment periods for FSPs typically range from 15 to 45 days. The staff expects to send a draft of the proposed FSP for external review by June 15 and plans to issue a preballot draft to the Board by the end of June 2007. The staff recommends that the Board expose this proposed FSP for a 30-day comment period. Based on the length of the document, the amount of deliberations that have already occurred in public meetings, and the scope of the issue, the staff believes a 30-day comment period is appropriate to ensure that constituents have sufficient opportunity to comment on the proposed guidance. The staff is concerned that a comment period of longer than 30 days could result

in unnecessary delays and that entities with a November 30 fiscal year end might not be required to apply the guidance until the period beginning December 1, 2008.

8. The Board discussed whether a 30-day comment period was sufficient. Mr. Smith stated that he believed 30 days would not be sufficient and that providing such a short comment period could draw criticism from constituents. Mr. Golden suggested that the comment period for the proposed FSP end on the later of 30 days after issuance or August 31, 2007. This would allow for a longer comment period if the proposed FSP is exposed before August 1, 2007 but would also help to avoid delays in finalizing the guidance. The Board agreed that the comment period for the proposed FSP should end on the later of 30 days after issuance or August 31, 2007. The Board directed the staff to proceed to a draft of the proposed FSP for vote by written ballot. The Board also directed the staff to make a special effort to inform industry groups whose industries might be especially affected of the proposed FSP.

Follow-up Items:

None.

General Announcements:

None.