

## MINUTES



Financial Accounting  
Standards Board

**To:** FASB Board Members

**From:** FAS 157 Team  
(Jourdan x273)

**Subject:** Minutes of the November 11, 2009, Board Meeting: Redeliberation of the Proposed Accounting Standards Update and Comment Letter Analysis

**Date:** January 7, 2009

**cc:** FASB: Golden, Bielstein, Proestakes, Stoklosa, Mechanick, Anderson, Glotzer, Chookaszian, Posta, Guasp, Lott, C. Smith, Gabriele, Inzano, Sutay, Mills, FASB Intranet, Bhave, Jourdan, Klimek, McGarity; GASB: Reese, Schermann; IASB: Leisenring

*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 Accounting Standards Update.*

Topic: Redeliberation of the Proposed Accounting Standards Update and Comment Letter Analysis Memorandums No. 7 and No. 8, Updated Board Handout

Basis for Discussion:

Length of Discussion:

2:45 p.m. – 3:35 p.m.

Attendance:

Board members present:	FASB: Herz, Linsmeier, Seidman, Smith
Board members participating by phone:	Siegel
Board members absent:	None
Staff in charge of topic:	FASB: Bhave
Other staff at Board table:	FASB: Proestakes, Mills, Brickman, Jourdan, Glotzer, Smith
Other staff participating by phone:	FASB: Anderson

### Summary of Decisions Reached

After discussing the feedback received from comment letter participants on the proposed disclosure requirements, the Board directed the staff to draft a final Accounting Standards Update (Update) to improve disclosures about fair value measurements. The Board decided to defer the consideration of the Level 3 sensitivity disclosures and proceed with the rest of the requirements included in the proposed Update. Below is a detailed explanation of the requirements that will be included in the final Update.

1. This Update provides amendments to Subtopic 820-10 that require new disclosures as follows:
  - a. Transfers in and/or out of Levels 1 and 2. The reporting entity shall disclose the amounts of significant transfers in and/or out of Level 1 and Level 2 fair value measurements and the reasons for the transfers.
  - b. Activity in Level 3 fair value measurements. In the reconciliation for fair value measurements using significant unobservable inputs (Level 3), information about purchases, sales, issuances, and settlements is required on a gross basis rather than as one net number.
2. This Update provides amendments to Subtopic 820-10 that clarify existing disclosures as follows:
  - a. Level of disaggregation. An entity is required to provide fair value measurement disclosures for each class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the statement of financial position. An entity needs to apply judgment in determining the appropriate classes of assets and liabilities.
  - b. Disclosures about inputs and valuation techniques. An entity is required to provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. Those disclosures are required for fair value measurements that fall in either Level 2 or Level 3.

The final Update shall be effective for annual or interim reporting periods *beginning after* December 15, 2009 except for the requirement to provide the Level 3 activity between purchases, sales, issuances, and settlements on a gross basis which shall be effective for periods *beginning after* December 15, 2010.

## Objectives of the Meeting

1. The purpose of this meeting was for the Board to redeliberate issues raised by constituents in their comment letters on the amendments in the proposed FASB Update, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. The objectives of the meeting were met.

## Matters Discussed and Decisions Reached

### **Issue 1—Level 3 Sensitivity Disclosures**

2. In view of respondents' concerns about the operationality and costs of the sensitivity disclosures in the proposed Update and the October 2009 joint Board meeting decision to achieve convergence on fair value measurement and disclosures, the staff recommended that the Board defer consideration of the proposed sensitivity disclosures. In the meantime, the FASB staff could assess the operationality and usefulness of similar disclosures currently required under IFRS 7, *Financial Instruments: Disclosures*. The staff further recommended that a final decision on the Level 3 sensitivity disclosures should be part of the newly added convergence project on fair value measurement and disclosures.

### **Board Vote**

3. All Board members voted to defer consideration of the Level 3 sensitivity disclosure requirements until completion of the joint fair value measurement project.

### **Board Comments**

4. Mr. Linsmeier commented that deferring sensitivity at this time is the correct decision. However, he added that the disclosures should be assessed in the joint fair value measurement project. In addition, Mr. Linsmeier stated that quantitative disclosures about key inputs used in Level 3 fair value measurements should be provided in the interim.
5. Ms. Seidman asked if the joint fair value measurement project would include a reconsideration of disclosures. Mr. Anderson explained that it was the intent of the staffs to include disclosures in the joint fair value project. Mr. Anderson further stated that the

6. Mr. Herz stated that quantitative information about key inputs is important information, but that he did not want to delay the rest of the proposed requirements while waiting for the completion of additional analysis that would be required to include quantitative disclosures in the proposed Update. However, Mr. Herz also said that he did not want to wait until the joint project was completed to provide the quantitative input information to users.
7. Mr. Proestakes asked the staff if the IASB would be open to discussing new requirements that are not currently required under IFRS or U.S. GAAP. Mr. Anderson stated that although the initial focus of the project team was to look at current requirements, or requirements proposed in the IASB's Exposure Draft, he thinks that the IASB would be open to including disclosures that were not previously required under IFRS in the joint project.
8. Mr. Smith suggested that the staff include the proposed sensitivity disclosure requirement in the outline of the joint fair value measurement project at the December 2009 meeting. Ms. Seidman agreed.

**Issue 2—All other Disclosures in the Proposed Update**

9. The staff recommended that the Board issue a final Update that includes guidance on all of the proposed disclosures other than the sensitivity disclosures. Regarding the gross disclosure about purchases, sales, issuances, and settlements in the Level 3 fair value measurement roll forward disclosure, the staff recommended that the Board provide a delayed effective date and a prospective transition to give entities that need significant

### **Board Vote**

10. The Board voted unanimously in favor of the staff's recommendation.

### **Issue 3—Scope Exception for Nonpublic Entities**

11. Based on the input received from nonpublic entities, the staff recommended that the guidance in the final Update should provide a scope exception for nonpublic entities.

### **Board Vote**

12. The Board voted unanimously to not provide a scope exception for private companies.

### **Board Comments**

13. Mr. Smith stated that the issues are not significant enough to provide a scope exception for private entities. He added that this proposed scope exception may be better suited for a post-implementation review in the future.

### **Issue 4—Effective Date**

14. The staff recommended that the guidance in the final Update be effective for annual or interim reporting periods beginning after December 15, 2009, except for the requirement to provide the Level 3 activity between purchases, sales, issuances, and settlements on a gross basis, which should be effective for periods beginning after December 15, 2010.

### **Board Vote**

15. The Board voted unanimously in favor of the staff's recommendation.

### **Board Comments**

16. Mr. Linsmeier stated that he did not think that an entire year would be needed for companies to provide Level 3 activity on a gross basis.

### Follow-up Items:

None.

General Announcements:

None.