MINUTES

Financial Accounting Standards Board

To:	Board Members
From:	Fair Value Measurement Team (Mohrhauser, x442; Montgomery, x445)
Subject:	Minutes of the December 14, 2010, Joint Board Meeting
Date:	December 20, 2010
cc:	Bielstein, Leisenring, Stoklosa, Chookaszian, Lott, Posta, Guasp, Sutay, Klimek, Gabriele, McGarity, Couch, Proestakes; 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 an Accounting Standards Update or a Statement of Financial Accounting Concepts.

Topic: Fair Value Measurement—December Deliberations

Basis for Discussion: Board Memorandum Nos. 22–24

Length of Discussion: 7:55 a.m.to 8:35 a.m. EST

Attendance:

Board members present:	FASB: Golden, Seidman, Smith, Siegel, and Linsmeier IASB: Tweedie, Cooper, Danjou, Engström, Finnegan, Gomes, Kalavacherla, König, McConnell, McGregor, Pacter, Scott, Smith, Yamada, and Zhang
Board members absent:	none
Staff in charge of topic:	Couch and Eastman
Other staff at Board table:	FASB: Proestakes, Montgomery, and Mohrhauser IASB: Teixeira
Outside participants:	none

<u>Type of Document and Timing Based on the Technical Plan</u>:

The Board met to discuss issues relating to the development of a final Accounting Standards Update addressing fair value measurement.

The Board's technical plan calls for that document to be issued in the first quarter of 2011.

<u>Summary of Decisions Reached</u>:

Measuring the Fair Value of a Liability Issued with an Inseparable Third-Party Credit Enhancement

The Boards tentatively decided that the requirements for measuring the fair value of a liability issued with an inseparable third-party credit enhancement:

1. Only apply to guarantees purchased by the issuer of the liability; and
2. Do not apply to liabilities guaranteed by other entities within the consolidated or combined group.

When an entity is measuring the fair value of a liability issued with an inseparable third-party credit enhancement, the Boards tentatively decided that the unit of account is the obligation without the credit enhancement, which means that the entity should measure the fair value of the liability using its own credit standing, not that of the third-party guarantor. (Vote—IASB: unanimous; FASB: unanimous)

For the FASB, the above tentative decisions confirm principles that are already included in Topic 820, Fair Value Measurements and Disclosures, and will result only in clarifications of wording to be consistent with IFRSs. For the IASB, the tentative decisions are consistent with the proposals in the IASB's Exposure Draft, *Fair Value Measurement*.

The IASB also tentatively decided that an entity would be required to disclose the existence of a third-party credit enhancement of a liability it has issued, as is currently required by U.S. GAAP. (Vote—IASB: unanimous)

Disclosures about Fair-Value-Based Measures (such as Fair Value Less Costs to Sell)

The Boards tentatively decided that the disclosures an entity is required to make about fair value measurements also apply to fair-value-based measurements (for example, fair value less costs to sell). These disclosures are currently required by U.S. GAAP and are consistent with those proposed in the IASB's Exposure Draft, but Topic 820 and the IASB's forthcoming fair value measurement standard will be made more explicit. (Vote—IASB: unanimous; FASB: unanimous)

<u>General Announcements</u>: None.