

MINUTES



To: FASB Board Members
From: Consolidations Team (Andrews, x443)
Subject: Minutes of the January 27, 2010 Board Meeting: Consolidations **Date:** January 27, 2010
cc: FASB: Golden, Bielstein, Lott, Proestakes, Stoklosa, Mechanick, Roberge, Farber, Phillips, Andrews, C. Smith, Brickman, Hood, Glotzer, Gabriele, Sutay, FASB Intranet, McGarity, Klimek FASAC: Chookaszian, Posta, Guasp

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: Consolidations

Basis for Discussion: FASB Memos: No. 3 – Statement 167 Implementation, Comment Letter Summary, and No. 3A – Addendum to Memo No. 3.

Attendance:

Board members present: FASB: Herz, Linsmeier, Seidman, Siegel and Smith
Board members absent: None
Staff in charge of topic: Farber
Other staff at Board table: Golden, Stoklosa, Roberge, Andrews, and Phillips
Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of an Accounting Standards Update addressing consolidations.

The Board's technical plan calls for the document to be issued in the first quarter of 2010.

Summary of Decisions Reached:

The Board discussed comments received on Proposed Accounting Standards Update, *Consolidation (Topic 810): Amendments to Statement 167 for Certain Investment Funds*. The Board's redeliberations focused on the following areas:

1. Requirements for an entity to qualify for the deferral of FASB Statement No. 167, *Amendments to FASB Interpretation No. 46(R)*
2. Accounting issues relating to those entities that qualify for the deferral in the proposed Update
3. Clarification of the related-party guidance in paragraph B22 of Statement 167
4. Clarification on whether a quantitative test should be the sole basis of the analysis in paragraph B22 for determining whether variability associated with a fee arrangement is more than insignificant.

Requirements to qualify for the deferral of Statement 167

The Board affirmed its decision in the proposed Update that the requirements as to whether an entity qualifies for the deferral should be based on the nature and characteristics of the entity. Accordingly, an entity with all of the attributes specified in paragraph 946-10-15-2(a) through (d) may qualify for the deferral. In addition, the Board affirmed that certain entities for which it is industry practice to apply guidance consistent with the measurement principles in Topic 946 (Financial Services—Investment Companies) for financial reporting purposes may also qualify for the deferral. The Board asserted that these entities would also be required to meet the other requirements in the proposed Update to qualify for the deferral.

The Board decided that additional guidance is not necessary to clarify which entities are considered asset-backed financing entities and securitization entities. Furthermore, the Board affirmed that entities with multiple levels of subordinated investors, for example, a collateralized debt obligation or collateralized loan obligation for which the primary purpose of the equity structure is to provide credit enhancement to senior interest holders, are considered asset-backed financing entities.

The Board affirmed that in situations in which a general partner has an obligation to fund losses of a limited partnership (including situations in which the obligation

is legally specified) that could potentially be significant to the entity, the entity should not qualify for the deferral. However, interests in a limited partnership that are structured to limit the reporting entity's exposure to the obligations of the partnership may qualify for the deferral.

The Board also agreed that an attorney-in-fact for a reciprocal insurance exchange should be evaluated based on the conditions provided in the proposed Update to determine if it qualifies for the deferral.

Accounting issues relating to those entities that qualify for the deferral in the proposed Update

The Board decided that entities that initially qualify for the deferral but subsequently no longer qualify should not be allowed to apply the transition guidance for the adoption of Statement 167. Accordingly, if the reporting entity is required to subsequently consolidate an entity as a result of changes in facts and circumstances, it must apply the initial measurement guidance in Statement 167.

The Board also decided to include additional guidance to clarify its intent on which disclosure requirements are applicable for those entities that qualify for the deferral.

Related party guidance in paragraph B22

The Board affirmed that the proposed Update should be modified to clarify that when performing the analysis under paragraph B22 of Statement 167, a related party's interest should be considered as if it were the reporting entity's own interest.

The Board also decided that employee benefit plans should not be considered related parties in the paragraph B22 analysis unless they are used to circumvent the guidance in Statement 167. The Board noted that the effect of other related parties in the paragraph B22 assessment will be discussed further within the joint consolidations project.

Applicability of a quantitative test in paragraph B22

The Board decided that the staff should clarify that a quantitative analysis should not be the sole determinant in the assessment of an entity's exposure to variability when evaluating both conditions (c) and (f) in paragraph B22. The Board also agreed not to provide examples about the factors that should be considered when performing a qualitative analysis.

The Board directed the staff to draft an Accounting Standards Update for vote by written ballot.

General Announcements: None