MINUTES

To:	FASB Board Members		
From:	Accounting for Financial Instruments Team		
Subject:	June 8, 2011 Board Meeting Minutes: Accounting for Financial Instruments	**Date:**	June 13, 2011

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:	Accounting for Financial Instruments: Classification and Measurement
Basis for Discussion:	FASB Memos 93 and 94
Length of Discussion:	10:15 a.m. to 11:45 a.m. (EDT)

Attendance:

Board members present:	FASB: Seidman, Buck, Golden, Linsmeier, Schroeder, Siegel, and Smith
Board members absent:	None
Staff in charge of topic:	Keller and Farr
Other staff at Board table:	Roberge, Handy, Sangiuolo, Laungani, and Wilkins
Outside participants:	None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of a final Accounting Standards Update addressing the accounting for financial instruments. The Board's technical plan calls for that document to be issued in 2011.

Summary of Decisions Reached:

Initial Measurement

The Board decided that the initial measurement principle should depend upon the subsequent classification and measurement of a financial instrument. The Board decided that financial instruments subsequently classified as fair value with all changes in fair value recognized in net income (FV-NI) would be initially measured at fair value. Financial instruments subsequently classified as fair value with fair value changes in other comprehensive income or amortized cost would be initially measured at transaction price.

The Board voted unanimously for the above decision.

The Board decided that entities that follow specialized industry guidance in Topic 946 on investment companies should continue to initially measure their financial instruments at transaction price.

The Board voted 6-1 for the above decision.

For financial instruments that are not measured at FV-NI, the Board decided to develop a principle that would require an entity to evaluate whether the consideration given or received at initial recognition indicates that another element exists other than the financial instrument.

The Board voted unanimously for the above decision.

Fair Value Option

The Board discussed whether a fair value option should be provided for financial liabilities. The Board rejected an alternative to provide an unconditional fair value option for financial liabilities. However, the Board decided to provide a conditional fair value option for hybrid financial liabilities allowing an entity to avoid bifurcation and measure the entire hybrid financial liability at fair value after the entity has determined that an embedded derivative feature that would otherwise require bifurcation and separate accounting exists. The Board will decide at a future meeting whether such a conditional fair value option should also be provided for hybrid financial assets.

The Board voted 5-2 for the above decision.

The Board also decided that in circumstances in which financial assets will be used to settle nonrecourse financial liabilities, an entity should measure those financial liabilities in accordance with the measurement of the associated financial assets.

The Board voted 6-1 for the above decision.

The Board directed the staff to evaluate whether a fair value option should be provided for circumstances in which a group of financial assets and financial liabilities are managed together and their performance is evaluated on a fair value basis in accordance with a risk management strategy. The Board also requested the staff to evaluate whether fair value measurement should be required in those circumstances rather than providing a fair value option.