

MINUTES



To: FASB Board Members

From: Accounting for Financial Instruments Team

Subject: April 17, 2012 Joint Board Meeting—Accounting for Financial Instruments: Classification and Measurement

Date: April 18, 2012

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:** Memorandums 138–140 and 140A–140D

IASB: Agenda Papers 6 and 6A–6F

Length of Discussion: 8:31 a.m. to 11:06 a.m. EST

Attendance:

Board members present: **FASB:** Seidman, Buck, Golden, Linsmeier, Schroeder, Siegel, and Smith (London)

IASB: Hoogervorst, Mackintosh, Cooper, Danjou, Engstrom, Finnegan, Gomes, Kalavacherla, McConnell, Ochi, Pacter, Scott, Smith, Wei-Guo (London)

Board members absent: None

Staff in charge of topic: Shah, Lark

Other staff at Board table: **FASB:** Stoklosa, Handy, and Laungani

IASB: Lloyd and Feygina

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 the accounting for financial instruments. The Board has not yet determined the expected timing of the next due process document.

Summary of Decisions Reached:

The IASB and the FASB discussed the business model assessment for classifying financial assets at amortized cost and bifurcation of financial assets and financial liabilities.

Business Model Assessment for Amortized Cost Classification for Financial Assets

The Boards tentatively decided that financial assets would qualify for amortized cost if the assets are held within a business model whose objective is to hold the assets in order to collect contractual cash flows. The Boards tentatively decided to clarify the primary objective of *hold to collect* by providing additional implementation guidance on the types of business activities and the frequency and nature of sales that would prohibit financial assets from qualifying for amortized cost measurement.

All IASB members voted in favor of the decision, while FASB members voted 4 to 3 in support of the decision.

Bifurcation of Financial Assets and Financial Liabilities

The Boards tentatively decided that financial assets that contain cash flows that are not solely principal and interest would not be eligible for bifurcation. Rather, they would be classified and measured in their entirety at fair value through net income. The Boards tentatively decided that financial liabilities would be bifurcated using the existing bifurcation requirements in IFRS 9, *Financial Instruments*, and U.S. GAAP. The IASB also affirmed that the “own credit” guidance in IFRS 9 would be retained. The FASB will discuss “own credit” presentation requirements at a future FASB-only meeting.

11 IASB members supported the decision, and 5 FASB members supported the decision.