MINUTES

Financial Accounting Standards Board

To:	FASB Board Members		
From:	Accounting for Financial Instruments Team		
Subject:	July 18, 2012 Joint Board Meeting—Accounting for Financial Instruments: Classification and Measurement	**Date:**	July 20, 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 163 and 164
IASB: Agenda Papers 6 and 6A

Length of Discussion: 9:15 a.m. to 9:57 a.m. EDT

Attendance:

Board members present: FASB: Seidman, Buck, Golden, Linsmeier, Schroeder, Siegel, and Smith (Norwalk)
IASB: Hoogervorst, Mackintosh, Cooper, Danjou, Engstrom, Finnegan, Gomes, Kalavacherla, McConnell, Ochi, Pacter, Scott, Edelmann, Wei-Guo, and Suh (London)

Board members absent: None

Staff in charge of topic: Feygina and Shah

Other staff at Board table: FASB: Cosper, Stoklosa, Handy, Laungani, Tyson, Green, and Rayfield
IASB: Lloyd, Lark, and Figgy

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 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.

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

Reclassifications Resulting from a Change in Business Model

The FASB and the IASB discussed accounting for the reclassification of financial assets between measurement categories. Some topics in the discussion were FASB-only because IFRS 9, *Financial Instruments,* already contains relevant requirements. The discussion of reclassification disclosures was IASB-only. The FASB will discuss disclosures related to its classification and measurement model at a future FASB-only meeting.

Reclassification Date *(FASB-only Discussion)*

The FASB tentatively decided that the reclassification date should be the last day of the reporting period in which there is a change in an entity's business model.

Five FASB members agreed.

Reclassification Mechanics *(FASB-only Discussion)*

For reclassifications of financial assets as a result of a change in an entity's business model, the FASB tentatively decided that when financial assets are reclassified from:

1. Fair value through net income (FVNI) to amortized cost, the fair values of financial assets on the reclassification date should become their new carrying amounts for amortized cost purposes.

2. Amortized cost to FVNI, the fair values of financial assets on the reclassification date should become their new carrying amounts, with the difference between the previous carrying amounts and fair values recognized in net income.

Seven FASB members agreed.

Reclassification Mechanics *(Joint Discussion)*

For reclassifications of financial assets as a result of a change in an entity's business model, the Boards tentatively decided that when financial assets are reclassified from:

1. Fair value through other comprehensive income (FVOCI) to FVNI, the financial assets should continue to be measured at fair value, and any accumulated OCI balances should be derecognized from OCI and recognized in net income on the date of reclassification.

   Fifteen IASB members and seven FASB members agreed.

2. FVNI to FVOCI, the financial assets should continue to be measured at fair value, and certain changes in fair value after the reclassification date should be recognized in OCI.

   Fourteen IASB members and seven FASB members agreed.

3. Amortized cost to FVOCI, the financial assets should be measured at fair value on the reclassification date with any difference between the previous carrying amounts and the fair values recognized in OCI.

   Fifteen IASB members and six FASB members agreed.

4. FVOCI to amortized cost, the financial assets should be measured at fair value on the reclassification date, and the accumulated OCI balance at the reclassification date should be derecognized through OCI with an offsetting entry against the financial assets' balances. As a result, the financial assets will be measured at the reclassification date at amortized cost as if they had always been so classified.

   Fourteen IASB members and six FASB members agreed.

Reclassification Disclosures *(IASB-only Discussion)*

The IASB discussed disclosures related to reclassifying eligible debt investments into and out of the FVOCI measurement category. The IASB tentatively decided that the reclassification disclosures in:

1. Paragraph 12B of IFRS 7, *Financial Instruments: Disclosures,* should be extended to all reclassifications into and out of FVOCI.

2. Paragraph 12C of IFRS 7 should be extended to reclassifications from fair value through profit and loss (FVPL) to FVOCI.

3. Paragraph 12D of IFRS 7 should be extended to apply to reclassifications from FVPL to FVOCI and from FVOCI to amortized cost.

   Fourteen IASB members agreed.