MINUTES

Financial Accounting Standards Board

To:	FASB Board Members		
From:	Accounting for Financial Instruments Team		
Subject:	September 7, 2012 FASB Board Meeting—Accounting for Financial Instruments: Impairment	**Date:**	September 12, 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.

<u>Topic</u>: Accounting for Financial Instruments: Impairment

<u>Basis for Discussion</u>: Memorandums 191 and 192

<u>Length of Discussion</u>: 1:00 p.m. to 2:35 p.m. EDT
2:46 p.m. to 2:52 p.m. EDT

<u>Attendance</u>:

Board members present: Seidman, Buck, Golden, Linsmeier, Schroeder, Siegel, and Smith

Board members absent: None

Staff in charge of topic: McKinney and Kane

Other staff at Board table: Shah, Stoklosa, Tyson, and Rayfield

Outside participants: Kapsis (IASB)

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's technical plan calls for an exposure document to be issued during the fourth quarter of 2012.

Summary of Decisions Reached:

At the September 7, 2012 Board meeting, the Board continued its development of the Current Expected Credit Loss (CECL) model.

The Board discussed the inclusion of a nonaccrual concept in the financial instrument model. The Board tentatively decided that, for purposes of interest income recognition, an entity should cease the accrual of interest income when it is not probable that the entity will receive full payment of principal or interest (that is, when the entity can no longer assert that the likelihood of collection is probable). If it is not probable that the entity will receive full payment of principal, the entity should apply the cost recovery method to account for payments received when a loan is placed on nonaccrual status. If it is probable that the entity will receive full payment of principal but it is not probable that the entity will receive full payment of interest, the entity should apply the cash basis method to account for payments received when a loan is placed on nonaccrual status.

The Board also discussed how the CECL model would apply to debt securities and financial assets measured at fair value through other comprehensive income (FV-OCI). The Board tentatively decided that the CECL model should apply to financial assets classified at amortized cost and financial assets measured at FV-OCI. However, as a practical expedient, an entity need not recognize expected credit losses for financial assets classified as FV-OCI when both of the following conditions are met:

1. The fair value of the financial asset is greater than the amortized cost basis.
2. Expected credit losses on the financial asset are insignificant.

Four Board members voted in favor of this decision.