MINUTES

Financial Accounting Standards Board

To:	FASB Board Members
From:	Accounting for Financial Instruments Team
Subject:	October 31, 2012 FASB Board Meeting—Accounting for Financial Instruments: Classification and Measurement
Date:	November 1, 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: Memorandum 209

Length of Discussion: 9:22 a.m. to 9:45 a.m. EDT

Attendance:

Board members present: Seidman, Buck (by phone), Golden, Linsmeier, Schroeder, Siegel, and Smith

Board members absent: None

Staff in charge of topic: Rayfield

Other staff at Board table: Stoklosa, Shah, Zimmerman, and Green

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's technical plan calls for an exposure document to be issued in the first half of 2013.

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

Transition Guidance and Disclosures

The Board decided that an entity would apply the tentative model to all outstanding instruments as of the effective date and record a cumulative-effect adjustment to beginning retained earnings as of the beginning of the first reporting period in which the guidance is effective.

Seven Board members voted in favor of this decision.

The Board decided that upon transition an entity would disclose the following:

1. The nature and reason for the change in accounting principle, including an explanation of the newly adopted accounting principle.
2. The method of applying the adoption.
3. The effect of the adoption on any line item in the statement of financial position, if material, as of the beginning of the first period for which the guidance is effective. Presentation of the effect on financial statement subtotals is not required.
4. The cumulative effect of the change on retained earnings or other components of equity in the statement of financial position as of the beginning of the first reporting period in which the guidance is effective.

Seven Board members voted in favor of this decision.

Early Adoption

The Board decided not to permit early adoption of the tentative model, except for the requirement to present separately in other comprehensive income the changes in fair value that result from a change in a reporting entity's own credit risk for financial liabilities that are designated under the proposed fair value option and thus measured at fair value through net income (FVNI). Specifically, an entity would be permitted to early adopt this separate presentation requirement for only those hybrid financial liabilities that would continue to qualify and be measured at FVNI under the tentative model as if the entity had early adopted the proposed conditional fair value option requirement, which permits an entity to measure the hybrid financial liability at FVNI in order to avoid bifurcation and separate accounting for an embedded derivative feature. The Board decided to include a question in the Exposure Draft asking for feedback on this proposal.

Six Board members voted in favor of this decision.

Reexposure

The Board decided to reexpose the tentative model for public comment. The comment period for the Exposure Draft will be determined at a future meeting.

Seven Board members voted in favor of this decision.

Effective Date

The Board will discuss the effective date during final deliberations on the tentative model after considering the feedback received on the Exposure Draft. However, the Board decided to include a question for nonpublic stakeholders in the Exposure Draft to seek feedback on a delayed effective date for nonpublic financial and nonpublic nonfinancial entities beyond what will be required of public entities.

Four Board members voted in favor of this decision.