

## MINUTES



**To:** FASB Board Members  
**From:** Repurchase Agreements and Similar Transactions Team  
**Subject:** October 2, 2013 FASB Board Meeting—Repurchase Agreements and Similar Transactions  
**Date:** October 9, 2013

*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 Repurchase Agreements and Similar Transactions

Basis for Discussion: Memorandum 22, 23, 24, 25, and 26R

Length of Discussion: 8:00 a.m. to 10:05 a.m. EDT

Attendance:

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

Board members absent: None

Staff in charge of topic: Zimmerman

Other staff at Board table: Sangiuolo and Nguyen

Outside participants: None

**Type of Document and Timing Based on the Technical Plan:**

The Board continued redeliberations of its January 2013 Exposure Draft, *Transfers and Servicing (Topic 860): Effective Control for Transfers with Forward Agreements to Repurchase Assets and Accounting for Repurchase Financings* and the next steps for the project. A final Accounting Standards Update is expected to be issued in the fourth quarter of 2013.

**Summary of Decisions Reached:**

The Board discussed its tentative decision at the May 23, 2013 comment letter summary meeting to address the need for more relevant information solely by expanding financial statement disclosures. The Board tentatively decided that expanded disclosures were insufficient; it would also require repurchase to maturity transactions to be accounted for as secured borrowings.

Four Board members voted in favor of this decision.

In addition, the Board tentatively decided to require the following new disclosures for certain transfers of financial assets accounted for as sales (in place of those proposed in the January 2013 Exposure Draft):

Information necessary to understand the nature of the transactions, the transferor's continuing exposure to the transferred financial assets, and the presentation of the components of the transaction in the financial statements:

- a. The carrying amounts of assets derecognized as of the date of the initial transfer in transactions for which an agreement with the transferee remains outstanding at the reporting date, by type of transaction (for example, repurchase agreement, securities lending, sale and total return swap, and so forth). If the amounts have changed significantly from prior periods or are not representative of the activity throughout the period, a discussion of the reasons for the change should be disclosed.
- b. Information about the transferor's on going exposure to the transferred financial assets by type of transaction:
  1. A description of the arrangements that result in the transferor retaining exposure to the transferred financial assets by type of transaction

2. The risks related to the transferred financial assets to which the transferor continues to be exposed after the transfer
3. As of the reporting date, the following amounts to provide users of financial statements with information about the reporting entity's maximum exposure to financial assets that are not recognized in its statement of financial position:
  - i. The fair value of assets derecognized by the transferor for transactions described in paragraph (a) by type of transaction.
- c. Amounts recorded in the statement of financial position arising from the transaction by type of transaction in paragraph (a), for example, the carrying value or fair value of forward repurchase agreements or swap contracts. To the extent these amounts are captured in the derivative disclosure requirements under paragraph 815-10-50-4B, an entity should provide a cross-reference to the appropriate line item in the disclosure.

Seven Board members voted in favor of this decision.

The Board tentatively decided not to require the following new disclosures for transfers of financial assets accounted for either as a sale or as a secured borrowing, but it agreed to solicit feedback on the disclosures in limited outreach meetings:

Information about the asset quality of transferred financial assets to provide financial statement users with an understanding of the risks inherent in the transferred financial assets with separate presentation of the following:

- a. For transferred financial assets derecognized for which an agreement with the transferee remains outstanding at the reporting date, by type of transaction (for example, repurchase agreement, securities lending, sale and total return swap, and so forth):
  1. A disaggregation of the gross proceeds arising from the transaction by the class of financial assets that were transferred in accordance with paragraph 820-10-50-2B
  2. The fair value of the financial assets transferred for each class of financial assets in paragraph (a)(1)

3. Weighted-average contractual duration for each class of financial assets in paragraph (a)(1)
  4. A qualitative discussion of any obligation arising from a decline in the fair value of the transferred financial assets.
- b. For transferred financial assets for which an agreement with the transferee remains outstanding at the reporting date that continue to be recognized in the statement of financial position in transfers accounted as secured borrowings, by type of transaction (for example, repurchase agreement, securities lending, sale and total return swap, and so forth):
1. A disaggregation of the gross obligation arising from the transaction by the class of financial assets that were transferred in accordance with paragraph 820-10-50-2B. Total borrowings under those agreements should reconcile to the amount reported in accordance with paragraph 210-20-50-3(a), before any adjustments for offsetting
  2. The fair value of the financial assets transferred at the reporting date for each class of financial assets in paragraph (b)(1)
  3. Weighted-average contractual duration for each class of financial assets in paragraph (b)(1)
  4. A qualitative discussion of any obligation arising from a decline in the fair value of the transferred financial assets.

Four Board members voted in favor of this decision.

The Board tentatively decided on the following scope for the disclosures:

Transactions comprised of a transfer of financial assets to a transferee and an agreement done in contemplation of the initial transfer with the same transferee that results in the transferor retaining substantially all of the exposure to the return of the transferred financial asset throughout the term of the transaction.

Seven Board members voted in favor of this decision.

The Board decided to affirm the decision in the January 2013 ED to eliminate the current accounting requirements for linking repurchase financings in Topic 860, Transfers and Servicing (originally issued as FASB Staff Position FAS 140-3, Accounting for Transfers of Financial Assets and Repurchase Financing Transactions).

Seven Board members voted in favor of this decision.

The Board decided to add new implementation guidance to Topic 860 to clarify the assessment of the substantially the same characteristics within effective control for dollar roll transactions involving the transfer of an existing agency mortgage-backed security and a forward To Be Announced (TBA) repurchase agreement. The Board decided that the implementation guidance should note that a forward TBA dollar roll without trade stipulations would not be expected to result in the return of a substantially the same financial asset. However, a forward TBA dollar roll with stipulations could be considered to result in the return of a substantially the same financial asset.

Five Board members voted in favor of this decision.

The Board discussed transition methods and decided on a cumulative-effect approach for all changes in accounting. Under this approach, an entity would recognize a cumulative-effect adjustment to beginning retained earnings as of the date of adoption. The Board decided not to require additional transition disclosures beyond those that are already required in Topic 250, Accounting Changes and Error Corrections.

Seven Board members voted in favor of this decision.

**General Announcements:**

The Board directed the staff to prepare a staff draft of the amendments to Topic 860 based on the decisions reached. Additionally, the Board directed to the staff to conduct limited outreach on various aspects of those decisions. The staff will present the outreach findings at a future Board meeting.

Based on the outreach findings, the Board will discuss the possibility of reexposing its decisions at a future Board meeting. In addition, the Board will discuss at a future meeting when the changes would be effective (including whether the effective date for public and non-public entities should be the same or different), and whether entities would be allowed the option of early adopting the changes before their mandatory effective date.