

MINUTES



To: FASB Board Members

From: Accounting for Financial Instruments Team

Subject: December 18, 2013 Joint Board Meeting—Accounting for Financial Instruments: Classification and Measurement

Date: December 19, 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 Financial Instruments: Classification and Measurement

Basis for Discussion: Memorandum 252

Length of Discussion: 2:00 p.m. to 2:48 p.m. EST

Attendance:

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

Board members absent: None

Staff in charge of topic: Gupta and Milone

Other staff at Board table: Cospers, Esposito, and Debbink

Outside participants: Feygina

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 issued an Exposure Document in the first quarter of 2013.

Tentative Board Decisions:

The Board continued its redeliberations of the Exposure Draft discussing the financial reporting complexity of the proposed contractual cash flow characteristics assessment (also known as the solely payment of principal and interest (SPPI) model) to determine the classification and measurement of financial assets. The Board decided that it would not continue to pursue the SPPI model for assessing the contractual cash flow characteristics of financial assets.

Seven Board members voted in favor of this decision.

In light of that decision, the Board discussed the accounting for embedded derivative features in hybrid financial assets and decided to retain the bifurcation requirements in current U.S. GAAP.

Five Board members voted in favor of this decision.

The Board directed the staff to perform additional analysis of whether the Board should develop a new approach for using a cash flow characteristics assessment model to determine the classification and measurement of a host contract that remains after the bifurcation of embedded derivative(s) in hybrid financial assets, hybrid financial assets with an embedded derivative that does not require bifurcation, and all other financial assets (for example, financial assets not within the scope of Topic 815 on derivatives and hedging).

Next Steps:

The staff will bring to the Board at a future meeting an analysis of a new cash flow characteristics assessment model, as well as further analysis of the proposed business model assessment and potential alternatives.