

# Rules of Procedure

Amended and Restated through December 11, 2013



# **Rules of Procedure**

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**FINANCIAL ACCOUNTING STANDARDS BOARD**

**RULES OF PROCEDURE**

**Amended and restated through April 15, 2013**

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# FINANCIAL ACCOUNTING STANDARDS BOARD

## RULES OF PROCEDURE

### I. INTRODUCTION

These Rules of Procedure, which the Financial Accounting Standards Board (FASB) has adopted<sup>1</sup> pursuant to the authority granted in the Restated Certificate of Incorporation and By-Laws of the Financial Accounting Foundation (Foundation), set forth procedures followed by the FASB in establishing and improving standards of financial accounting and reporting for nongovernmental entities, including procedures related to the issuance of such standards and other communications. These Rules also describe briefly the relationship of the FASB to the Foundation and its two advisory councils, the Financial Accounting Standards Advisory Council (FASAC) and the Private Company Council (PCC).

The FASB is an independent, private-sector body created to serve an important public interest. Since 1973, it has been the designated organization in the private sector for establishing and improving standards of financial accounting and reporting that govern the preparation of financial reports by nongovernmental entities.

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<sup>1</sup>The Financial Accounting Standards Board's Rules of Procedure were initially adopted, effective March 29, 1973, by the Board of Trustees of the Financial Accounting Foundation pursuant to the By-Laws of the Financial Accounting Foundation then in effect. Section 11 of the current By-Laws provides that the Financial Accounting Standards Board has exclusive authority to alter, amend, supplement, or repeal its Rules of Procedure, or to adopt new Rules of Procedure, and it is pursuant to that authority that the FASB adopted these amended and restated Rules of Procedure.

## **II. THE MISSION OF THE FINANCIAL ACCOUNTING STANDARDS BOARD**

### **A. Mission Statement**

The mission of the FASB is to establish and improve standards of financial accounting and reporting that foster financial reporting by nongovernmental entities that provides decision-useful information to investors and other users of financial reports. The mission is accomplished through a comprehensive and independent process that encourages broad participation, objectively considers all stakeholder views, and is subject to oversight by the Foundation's Board of Trustees.

### **B. Uses and Users of Nongovernmental Accounting and Financial Reporting**

Accounting standards are essential to the efficient functioning of the economy because:

- Decisions about the allocation of resources rely heavily on credible, concise, and understandable financial information.
- Financial information about the operations and financial position of individual entities also may be used by the public in making various other kinds of decisions.

Many of those who make those decisions cannot require reporting entities to provide the information they need directly to them and must rely on general purpose financial reports. Consequently, the primary users of general purpose financial reports are:

- Existing and potential equity investors, lenders, and donors.
- Other creditors, including those who provide resources as a consequence of their relationship with the entity such as employees and suppliers.

Because the goal is financial information useful in making decisions about providing resources to an entity, the needs of those users are a primary



consideration in developing accounting standards. The FASB recognizes, however, that financial reporting information is the product of a financial reporting system that also includes the entities that prepare financial statements, auditors, regulators, and other stakeholders. Therefore, the FASB gives careful consideration to those other stakeholders' views about the benefits and costs of accounting standards as it develops them.

## **C. How the Mission Is Accomplished**

To accomplish its mission, the FASB acts to:

1. Improve the usefulness of financial reporting by focusing on the relevance and faithful representation of financial information, as well as other enhancing characteristics of useful information including comparability, verifiability, timeliness, and understandability.
2. Guide and educate the public, including users, the individuals that prepare financial statements, auditors, and others. Through its open due process, outreach to constituents, the form of the standards themselves, and related implementation activities, the FASB improves the common understanding of the nature and purposes of information contained in financial reports.
3. Keep standards current to reflect changes in methods of doing business and changes in the economic environment.
4. Consider promptly any significant areas of deficiency in financial reporting that might be improved through the standards-setting process.
5. Promote the convergence of accounting standards internationally concurrent with improving the quality of financial reporting.

The FASB develops standards for financial accounting and reporting and related implementation guidance. The FASB also develops accounting concepts. Concepts are useful in guiding the FASB in establishing standards and in providing a frame of reference, or conceptual framework, for resolving accounting issues.

The FASB's work on both standards and concepts is based on research and analysis conducted by the FASB's technical staff and others (including national and international accounting standards-setting bodies). The FASB actively

solicits the views of various stakeholders in the financial reporting system on all accounting and reporting issues. These Rules of Procedure describe the FASB's operating procedures, including due process activities that are to be open to public participation or observation to provide transparency into the standards-setting process.

## **D. Guiding Principles**

The FASB establishes and improves standards and concepts through a comprehensive and independent process that encourages broad participation, objectively considers all stakeholder views, and is subject to oversight by the Foundation's Board of Trustees. FASB members exercise their judgment after research, due process, and careful deliberation. They are guided by these principles:

1. *To be objective in its decision making* and to ensure, insofar as possible, the neutrality of information resulting from its standards. To be neutral, information must report economic activity as faithfully as possible without coloring the image it communicates for the purpose of influencing behavior in any particular direction.
2. *To actively solicit and carefully weigh the views of stakeholders* in developing standards and concepts. The ultimate determinant of standards and concepts, however, must be the FASB's judgment, based on research, public input, and careful deliberation, about the usefulness of the resulting information.
3. *To issue standards only when the expected benefits justify the perceived costs.* The FASB strives to determine that proposed standards fill a significant need and that the perceived costs they impose, compared with possible alternatives, are justified in relation to the overall expected benefits.
4. *To issue high-quality standards,* which are grounded in a consistently applied conceptual framework, set forth objectives and principles stated in clear and unambiguous language, and foster consistent application by providing structure and necessary detail derived from the principles.

5. *To manage the process of improving standards* in ways that balance the desire to minimize disruption of accounting and financial reporting processes with the need to improve the decision-usefulness of information in financial reports. The FASB establishes reasonable effective dates and transition provisions when new standards are introduced. The FASB must also balance the desire for comprehensive improvements in standards with the need for incremental changes that produce timely reporting improvements in areas important to users.
6. *To provide clear and timely communications*, endeavoring at all times to keep the public informed of important developments about the FASB's operations and activities.
7. *To review the effects of past decisions* and interpret, amend, or replace standards in a timely fashion if such action is indicated.

The Board is accountable to the Foundation's Board of Trustees, the Securities and Exchange Commission (SEC), and, broadly, its stakeholders for establishing standards and concepts following those principles and the comprehensive due process described in these Rules.

## **E. Due Process**

The FASB is committed to following an open, orderly process for setting standards. The FASB designed its comprehensive due process procedures, as more fully discussed below, to permit timely, thorough, and open study of financial accounting and reporting issues and to encourage broad public participation in the standards-setting process by creating channels for the communication of all points of view and expressions of opinion at all stages of the process. The cooperation of all concerned with or affected by financial accounting and reporting is fundamental to the operation of the FASB. Of particular importance to the FASB is the receipt of thoughtful, reasoned, and timely input during the FASB's research, discussion, and deliberative processes. The FASB recognizes that acceptance of its conclusions is enhanced by demonstrating that the comments received in due process are considered carefully.

### **III. DESCRIPTION OF THE ORGANIZATION**

The Foundation, the FASB, and FASAC were established in 1972 to perform important and distinct functions in the process of establishing and improving standards of financial accounting and reporting for nongovernmental entities. The Foundation established the Governmental Accounting Standards Board (GASB) and the Governmental Accounting Standards Advisory Council (GASAC) in 1984 to establish and improve standards of financial accounting and reporting for state and local governmental entities. The Foundation established the PCC in 2012 to improve the process of setting accounting standards for private companies.

#### **A. The Financial Accounting Foundation**

The Foundation is the independent, private sector organization that is responsible for the oversight, administration, and finances of the FASB, the GASB, and their advisory councils FASAC, GASAC, and the PCC. The Foundation's Certificate of Incorporation and By-Laws establish the organization and structure of the Foundation and duties of its governing Board of Trustees (Trustees). Those duties primarily include, but are not limited to, protecting the independence and integrity of the accounting standards-setting process and appointing members of the FASB, GASB, FASAC, GASAC, and the PCC.

The Trustees have implemented a post-implementation review process as part of their FASB and GASB oversight responsibilities. The Trustees' objectives for this process are to (a) determine whether a standard is accomplishing its stated purpose, (b) evaluate its implementation and continuing compliance costs and related benefits, and (c) provide recommendations to improve the standards-setting process. To maintain the FASB's standards-setting independence, the post-implementation review process does not include making recommendations for the FASB to take specific standards-setting action.

The Certificate of Incorporation and the By-Laws of the Foundation are available on the Foundation's website.

## **B. The Financial Accounting Standards Board**

The Foundation's Restated Certificate of Incorporation delegates to the FASB all authority, functions, and powers of the Foundation and its Board of Trustees in respect of standards of financial accounting and reporting, except for those delegated to the GASB.

As a result, the FASB has responsibility for, among other things, establishing and improving standards of financial accounting and reporting for nongovernmental entities by defining, issuing, and promoting such standards and by issuing other communications with regard to nongovernmental accounting and reporting. Those responsibilities also include conducting and commissioning research (which may include surveys, statistical compilations, and other studies) and sponsoring meetings, conferences, hearings, and seminars in respect of financial accounting and reporting.

Consistent with that authority and responsibility, the FASB maintains the *FASB Accounting Standards Codification*<sup>®</sup> (Accounting Standards Codification), which represents the source of authoritative standards of accounting and reporting, other than those issued by the SEC,<sup>2</sup> recognized by the FASB to be applied by nongovernmental entities.

The FASB has been recognized since 1973 as the private sector's authoritative body for establishing and improving standards of nongovernmental financial accounting and reporting.

On May 7, 1973, the American Institute of Certified Public Accountants (AICPA) designated the FASB as the successor to its Accounting Principles Board in establishing accounting principles for purposes of Rule 203 of the AICPA's Rules of Conduct.

In December 1973, the SEC, in Accounting Series Release No. 150, codified in Financial Reporting Release No. 1, Section 101, reaffirmed its longstanding administrative practice and policy and stated that principles, standards, and practices issued by the FASB and its predecessors (the Committee on

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<sup>2</sup>Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative accounting principles for SEC registrants. In addition to the SEC's rules and interpretive releases, the SEC issues Staff Accounting Bulletins that represent practices followed by the SEC staff in administering SEC disclosure requirements, and it utilizes SEC Staff Announcements and Observer Comments made at Emerging Issues Task Force meetings to publicly announce its views on certain accounting issues for SEC registrants.

Accounting Procedure and the Accounting Principles Board) were presumptively required to be applied in financial statements filed with the SEC and that financial statements applying contrary accounting principles would be unacceptable in the absence of the SEC's determination to the contrary.

Pursuant to the Sarbanes-Oxley Act of 2002, the SEC reaffirmed that designation in a policy statement issued in April 2003, "Policy Statement: Reaffirming the Status of the FASB as a Designated Private-Sector Standard Setter."

The seven members constituting a full FASB are appointed by the Foundation's Board of Trustees for up to two five-year terms and serve full time. FASB members will, in the judgment of Trustees, each have concern for users and the public interest in matters of financial accounting and reporting and collectively have knowledge and experience in investing, accounting, finance, business, accounting education, and research.

A principal factor in determining the organization of the FASB was the need to establish to public satisfaction the independence and objectivity of those responsible for establishing and improving standards of financial accounting and reporting. To this end, the Foundation's Trustees have adopted policies about personal investments and other personal activities of FASB members and staff that are designed to prevent potential conflicts of interest. Among other things, the policies applicable to FASB members restrict financial and other obligations being owed by or to former employers or clients and arrangements or understandings for future employment, and restrict investments or other financial involvement or personal activities that might affect or reasonably create the appearance of affecting a member's independence or objectivity or that might create or reasonably create the appearance of a conflict or potential conflict of interest.

## **C. The Financial Accounting Standards Advisory Council**

FASAC has an integral advisory role in the process of establishing and improving standards of financial accounting and reporting for nongovernmental entities. As an organization of knowledgeable and experienced individuals, FASAC works closely with the FASB in an advisory capacity to ensure that the views of its members are constantly and effectively communicated to the FASB on a timely basis.

FASAC consists of no less than 20 persons appointed by the Foundation's Board of Trustees who are knowledgeable about the issues involving, and impact of, financial accounting and reporting or who possess an expertise of value to the FASB. FASAC's membership broadly represents varied professional and occupational backgrounds with no profession or occupation dominating and, as a means of involving the public in the accounting standards-setting process, includes investors, creditors, and other users of financial statements, individuals with experience as issuers, auditors, educators, and those with experience in government.

The By-Laws of the Foundation charge FASAC with responsibility for consulting with the FASB about major technical issues, the FASB's agenda of projects and the priorities of the projects, matters likely to require the attention of the FASB, and such other matters as may be requested by the FASB or its Chairman. In fulfilling that responsibility, FASAC members are expected to provide input in respect of standards of financial accounting and reporting proposed for issuance by the FASB, as well as input on such other matters as may be referred to them or FASAC from time to time by the FASAC Chairman or the FASB and its Chairman. Members of FASAC also are expected to communicate their individual perceptions of potential effects of proposed or authoritative pronouncements and provide comments on broader policy questions, such as whether stakeholders' views are being appropriately balanced, cost-benefit relationships, and due process considerations. FASAC members are encouraged to consult with one another and others, and to speak and write publicly on issues with respect to the work of FASAC and the FASB.

FASAC's operating procedures, adopted by the Foundation's Board of Trustees, are available on the FASB's website.

## **D. The Private Company Council**

The PCC has an integral role in the process of establishing and improving standards of accounting and reporting as they apply to private companies. The principal responsibilities of the PCC follow:

- The PCC determines, based on criteria mutually agreed to by the PCC and the FASB, whether modifications or exceptions to existing nongovernmental U.S. Generally Accepted Accounting Principles (U.S. GAAP)

are required to address the needs of users of private company financial statements. Any proposed changes to existing U.S. GAAP are subject to endorsement by the FASB and undergo due process.

- The PCC serves as the primary advisory body to the FASB on the appropriate treatment for private companies for items under active consideration on the FASB's technical agenda.

The PCC comprises 9–12 members, including a Chair, appointed by the FAF Trustees. The PCC membership includes individuals with backgrounds and experience in using, preparing, and auditing, compiling, or reviewing private company financial statements. PCC members demonstrate (a) a keen interest and knowledge of financial accounting and reporting, (b) experience working with private companies, and (c) a commitment to improving financial reporting for users of financial statements.

The FAF Trustees appoint a member of the FASB to serve as a liaison between the FASB and the PCC. The primary purpose of this liaison role is to serve as the main point of contact to facilitate communications and integration between the PCC and the FASB.

The PCC is expected to meet regularly, at least five times a year, with additional meetings held as the PCC Chair determines necessary. All deliberative meetings are open to the public. Meetings of an educational or administrative nature may be held in closed session. All FASB members, including the PCC liaison, are expected to attend and participate in deliberative meetings of the PCC to facilitate their understanding of private company stakeholder perspectives and PCC members' views and enable a more efficient FASB endorsement of PCC-proposed changes to existing U.S. GAAP.

PCC operating procedures, adopted by the FAF Trustees, are available on the FASB's website.



## **IV. OPERATING PROCEDURES OF THE FINANCIAL ACCOUNTING STANDARDS BOARD**

The operating procedures of the FASB are designed to permit timely, thorough, and open study of financial accounting and reporting issues and to encourage broad public participation in the process of establishing and improving standards of financial accounting and reporting.

The objective of the FASB's policy of openness and broad public participation in the standards-setting process is to stimulate consideration and debate among the FASB's stakeholders on matters of significance to the public. Members of the FASB, the FASB's technical staff, advisory councils (FASAC and the PCC), and advisory committees are free to express their individual views on matters under consideration in order to stimulate constructive public dialogue. The FASB encourages the public to do likewise, and invites individuals and organizations to make their views and concerns known to the FASB through thoughtful, reasoned, and timely communication at all stages of the FASB's processes.

### **A. The Chairman**

The Foundation's By-Laws provide that the principal officer of the FASB is its Chairman, who is appointed by and serves at the pleasure of the Foundation's Board of Trustees and presides at the FASB's meetings. The primary duties and authorities of the FASB Chairman are to:

1. Prepare short- and long-range project plans of the FASB, including the agenda of specific projects and their priorities, for submission to the members of the FASB for approval.
2. Transmit short- and longer-range project plans to the Trustees and FASAC. The Chairman provides to the Trustees and FASAC quarterly and annual reports (Chairman's Report) about the activities of the FASB and its progress relative to its project plans and an annual report evaluating the FASB's performance within the context of its mission. Quarterly reports include information such as pronouncements issued, changes to the FASB's technical agenda, outreach meetings with stakeholders, and other significant matters.

3. Prepare and submit an annual budget to the Trustees for their approval, after consulting with FASB members and staff Directors as appropriate.
4. Determine personnel requirements, hire and retain FASB staff members, and fix their duties and compensation in accordance with Foundation policies. The Chairman also may appoint and contract with persons or organizations with respect to research (subject to consultation with appropriate technical staff Directors) and other technical services to be performed by them as consultants or independent contractors.
5. Establish FASB advisory committees and project resource groups pursuant to procedures described in Section IV (D).
6. Establish operating procedures for the FASB and its advisory committees and implement and direct their broad operating processes.
7. In the event the FASB does not endorse a change to U.S. GAAP proposed by the PCC, provide a written document to the PCC Chair explaining the reasons for the non-endorsement. That document also will include possible changes for the PCC to consider that could result in an endorsement decision by the FASB. Such written documents are part of the FASB's public record.
8. In the event the FASB is unable to act on a PCC recommendation within 60 days of the date it was provided to the FASB for endorsement, notify the PCC Chair in writing as to the reasons for the delay and the date by which the FASB will act.

The FASB Chairman works in cooperation with the staff Directors and other members of the FASB in fulfilling those responsibilities. The FASB Chairman also works in cooperation with the FASAC Chairman to assist FASAC in accomplishing its functions and facilitating the work of the FASB. The FASB and GASB Chairmen regularly consult with each other to enhance the effectiveness of the interrelationships between the Boards and their staffs.

The FASB Chairman may delegate or assign particular functions or duties to other members of the FASB, staff Directors or other members of the technical staff, advisory committees, FASAC (in consultation with FASAC's Chairman), or such others as the FASB Chairman may deem appropriate.

## **B. Project Plans**

The FASB is responsible for establishing short- and long-range project plans, including an agenda of specific projects and their priorities, which plans and all modifications thereto shall be approved by at least a majority of the FASB's members.

The FASB consults with FASAC concerning, among other things, major technical issues, the FASB's agenda of projects and the priorities of the projects, and matters likely to require the attention of the FASB. The FASB also considers timely suggestions from other individuals and organizations.

When the FASB approves a project and assigns its priority, the staff Directors will generally assign one or more members of the FASB's technical staff to work on the project.

## **C. Technical Staff**

The FASB Chairman is responsible for determining the FASB's personnel requirements and for selecting its technical staff. The FASB staff will, in the judgment of the FASB Chairman, each have a concern for users and the public interest in matters of financial accounting and reporting, and collectively have knowledge and experience in investing, accounting, finance, business, accounting education, and research. The Chairman has authority to hire, retain, and contract with staff members and to determine their duties and remuneration, in accordance with the Foundation's policies, as well as to contract with any other persons or organizations with respect to research (following consultation with the appropriate staff Director) and other technical services to be performed by consultants or independent contractors.

A source of technical staff is the FASB's "Fellow Program" and "Postgraduate Program." Members of the Fellow Program typically have experience or a background in public accounting, academe, or industry and serve as technical staff members for generally a two-year term on the understanding that they expect to return to their sponsoring employers. Members of the Postgraduate Program are individuals seeking a career in accounting that are nominated by their school's accounting department. They serve as technical staff members for generally a one-year term.

Members of the FASB's technical staff and other persons and groups employed, hired, or otherwise retained or appointed by or at the direction of the FASB Chairman serve at the pleasure of the Chairman or as otherwise provided in contracts made by or at the Chairman's direction.

## **D. Advisory Committees and Project Resource Groups**

Advisory committees play an important role in the process of establishing and improving standards of financial accounting and reporting. Advisory committees supplement the FASB's advisory councils, FASAC and the PCC. Advisory committees are intended to be indefinite-lived and are formed for the purpose of providing regular and focused input on a broad range of strategic and technical issues from the perspective of a particular industry sector (such as the not-for-profit sector) or stakeholder type (such as investors). Advisory committees also may be a mechanism for communication between the FASB and its stakeholders.

The FASB Chairman may establish an advisory committee subject to the approval of a majority of the FASB and after consultation with the Foundation's Trustees.

The FASB Chairman shall establish a written charter for each advisory committee, subject to consultation with the Trustees, FASB members, and staff Directors as appropriate. The charter describes the purpose and responsibilities of the committee, its size and qualifications for membership (including limits on the term of membership), and operating procedures. Operating procedures for an advisory committee shall be consistent with the FASB's Rules of Procedure.

The FASB Chairman makes appointments to an advisory committee after consultation with FASB members and staff Directors, as appropriate. Members may be anyone possessing relevant expertise or viewpoints. Members serve at the pleasure of the FASB Chairman or as otherwise provided in contracts made by or at the Chairman's direction. In appointing members, the Chairman seeks nominations from existing Committee members and Foundation-established councils, FASB members, and other interested entities, organizations, and persons, including the Foundation's Trustees.

The Chairman shall appoint a chairman for each advisory committee, which, depending on the committee's nature and purpose, may be a committee

member, an FASB member, or an FASB staff member.

The FASB will evaluate the purpose, composition, and effectiveness of each advisory committee every three years (or more frequently, if circumstances warrant), making revisions to its charter as necessary and appropriate.

The FASB Chairman also may establish a limited-life, project-specific resource group to provide experience and diverse viewpoints on the issues in a specific standards-setting project and as a means for identifying potential implementation issues at an early date. The FASB Chairman makes appointments to a project resource group after consultation with FASB members and staff Directors, as appropriate. Resource groups comprise individuals with relevant expertise or experience.

## **E. Emerging Issues Task Force**

The FASB established the Emerging Issues Task Force (EITF) to assist it in the early identification, discussion, and resolution of emerging issues affecting financial accounting and reporting and of problems in implementing standards of accounting and reporting for nongovernmental entities. Unlike advisory committees (see Section IV(D)), the work of the EITF goes beyond simply identifying and advising the Board on reporting issues. The EITF also works to reach consensus on the appropriate accounting treatment and provide guidance on those issues. Consensus guidance developed by the EITF amends the Accounting Standards Codification if approved by a majority of the FASB.

Consistent with that purpose, the EITF comprises individuals who are knowledgeable in accounting and financial reporting and are in positions that make them aware of emerging issues. The Task Force Chairman and other members are appointed by and serve at the pleasure of the FASB Chairman.

An Accounting Standards Update is issued to amend the Accounting Standards Codification to reflect consensus guidance of the EITF (see Section IV(H)). Consensuses of the EITF are exposed for public comment through the issuance of an Exposure Draft of a proposed Accounting Standards Update. A majority of the FASB must approve the issuance of an Accounting Standards Update or an Exposure Draft of an Accounting Standards Update containing an EITF consensus.

The operating procedures of the EITF more fully describe its mission, membership, operating, and administrative procedures and are available on the

FASB's website. Those procedures call for meetings of the EITF to be open to public observation to the extent of available seating and to be webcast. Those procedures also call for preparation of minutes of EITF meetings that are available for public review as part of the FASB's public file.

## **F. Research Projects**

After consulting with the appropriate staff Director, the FASB Chairman may provide for research and obtain or commit the necessary staff or other personnel and funds to execute the research as the Chairman may deem necessary or desirable in the circumstances. Other members of the FASB, its technical staff, its advisory councils and advisory committees, or any other individual or organization may submit research proposals to the FASB Chairman for consideration.

Research is generally directed to specific issues associated with projects that are on the FASB's technical agenda or that may be added to the FASB's technical agenda. As such, the research may be expected to have a problem-solving orientation and to provide information about specific questions and the impact of alternative solutions. Theoretical and conceptual research also will be conducted if the circumstances warrant it.

Written research data and summaries of research data constitute a part of the FASB's public file.

## **G. Public Forums**

The FASB will seek information about financial accounting and reporting issues by holding public forums if, in its judgment, it determines that a public forum is necessary to making an informed decision. The basis for a public forum generally will be an Exposure Draft or a Discussion Paper. The FASB will determine the number of forums to be held for a project and the time, date, location, and general format of each. A member of the FASB or its technical staff will conduct such forums pursuant to procedures approved by the FASB Chairman.

The FASB will publicly announce its intention to hold a forum as soon as practicable, but no less than 30 days before the date of the earliest forum. Those

public announcements will be made through a posting on the FASB's website and by any other means the FASB Chairman deems appropriate. Each announcement will set forth:

1. The time, date, location, and general format of the public forum (for example, roundtable meeting or hearing)
2. A brief statement of the subject or purpose
3. The date by which those wishing to participate are to notify the FASB and submit written comments
4. Other information as the FASB may determine.

Any individual or organization may request to participate in a public forum. To the extent practicable, the FASB attempts to include all those making timely requests. Submission of written comments may be a condition of participation. Materials submitted to the FASB constitute a part of its public file.

Public forums may be adjourned in whole or in part to reconvene at another time, date, or location or may be extended to additional date or dates at the same or different locations, with the same or a different format, without any announcement other than announcement at the forum.

Transcripts of public forums, if they are prepared, will be made publicly available as part of the FASB's public file. In the absence of such a transcript, a meeting report that identifies the participants, describes the issues discussed, and summarizes the views expressed will be made publicly available as part of the FASB's public file.

## H. Pronouncements and Other Communications

The FASB has final and ultimate authority over the subject, style, content, and substance of the authoritative portions of the Accounting Standards Codification<sup>3</sup> and all other pronouncements and other forms of communications that it issues, as discussed below.

### 1. Accounting Standards Updates

The Accounting Standards Codification represents the source of authoritative accounting standards, other than standards issued by the SEC, recognized by the FASB to be applied by nongovernmental entities. The FASB makes changes to the Accounting Standards Codification by issuing an Accounting Standards Update (Update). An Update is not itself authoritative; rather, it is a document that explains how the Accounting Standards Codification has been amended. An Update also includes information to help the reader understand the changes and when those changes will be effective.

Each Update and each Exposure Draft of a proposed Update that communicates amendments or proposed amendments of the authoritative portions of the Accounting Standards Codification will include:

- a. The actual or proposed standards
- b. The actual or proposed method of transition
- c. Background information, including a brief description of research undertaken in connection with the development of the Update or proposed Update
- d. The basis for the conclusions, which should describe the reasons (conceptual or otherwise) for accepting certain alternatives and rejecting others and a summary of the significant and relevant points of view communicated through public forums and in written comments

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<sup>3</sup>The term *authoritative portions of the Accounting Standards Codification* is used in these Rules to refer to the accounting standards promulgated by the FASB and predecessor accounting standards-setting bodies. The term does not refer to SEC rules, regulations, interpretive releases, and other SEC staff guidance or to the lists of all U.S. Financial Reporting Taxonomy XBRL elements (or other information relating to XBRL elements) that are included in the Accounting Standards Codification to increase its utility to public companies and other users.



- e. A summary that describes:
  - 1. The reasons for making or proposing a change to authoritative standards
  - 2. The main provisions of the actual or proposed change and how those differ from existing standards
- f. Other information or data as the FASB may determine.

Each Update also will include the effective date of each amendment of the Accounting Standards Codification.

Each Update will identify FASB members who voted for or against its issuance and will include comments of dissenting members in support of their dissents. Each Exposure Draft of a proposed Update will identify those FASB members who voted for its issuance and will identify and include the alternative views of any FASB member who voted against its issuance. Each Update that amends U.S. GAAP and each Exposure Draft that proposes amendments to U.S. GAAP for changes recommended by the PCC and endorsed by the FASB also shall include comments of any FASB members dissenting to the endorsement in support of their dissents.

The FASB will expose all Exposure Drafts of proposed Updates for public comment. In determining the comment period length, the FASB will weigh the nature and complexity of the proposal, the amount of time stakeholders need to consider and comment on the proposal, and the urgency of the need for change. The following examples illustrate the range of comment periods that would likely result when applying that principle in some common situations:

- a. A comprehensive amendment of a major Topic or Subtopic within the Accounting Standards Codification generally would be exposed for a period of 60 days or longer.
- b. An amendment that changes, interprets, or provides application guidance in a narrower area generally would be exposed for a period of 25 days or longer.
- c. Narrow amendments that are not expected to cause a major change in accounting practice for a significant number of entities, minor technical corrections of existing requirements, or proposed deferrals of effective dates generally would be exposed for a period of 25 days or less.

In exceptional circumstances, when the need for the guidance is particularly urgent, the FASB may establish a comment period of less than 15 days, subject to consultation with the Foundation's Board of Trustees (or designated committee thereof).

Exposure Drafts, and notices of issuance of Exposure Drafts, will specify the time and manner in which individuals and organizations may comment. Written comments received in respect of Updates and Exposure Drafts constitute a part of the FASB's public file.

Notice of issuance and availability of each Update and of each Exposure Draft of a proposed Update will be made through a posting to the FASB's website and by any other means (such as a press release) the FASB Chairman deems appropriate.

## **2. Statements of Financial Accounting Concepts**

Unlike the Accounting Standards Codification, Statements of Financial Accounting Concepts are not a source of authoritative generally accepted accounting principles. Rather, Statements of Financial Accounting Concepts set forth fundamentals on which financial accounting and reporting standards will be based. More specifically, Statements of Financial Accounting Concepts are intended to:

- a. Establish the objectives and concepts that the FASB will use in developing standards of financial accounting and reporting.
- b. Provide guidance in resolving problems of financial accounting and reporting that are not addressed in the Accounting Standards Codification.
- c. Enhance the assessment by users of the content and limitations of information provided by financial accounting and reporting and thereby further the ability to use that information effectively.

Each Statement of Financial Accounting Concepts and each Exposure Draft will include:

- a. The actual or proposed financial accounting and reporting concepts
- b. Background information, including a brief summary of research results if

- a research project was undertaken in connection with development of the Statement or proposed Statement
- c. Basis for conclusions
  - d. A statement explaining that a Statement of Financial Accounting Concepts is a source of nonauthoritative accounting guidance, as set forth in Accounting Standards Codification Topic 105, Generally Accepted Accounting Principles
  - e. Other information or data as the FASB may determine.

Each Statement of Financial Accounting Concepts will identify those members of the FASB who voted for or against its issuance and will include comments of dissenting members in support of their dissents. Each Exposure Draft of a proposed Statement of Financial Accounting Concepts also will identify the FASB members who voted for its issuance and identify and include the alternative views of any FASB member who voted against its issuance.

The FASB will expose all Exposure Drafts of proposed Statements of Financial Accounting Concepts. In determining the comment period length, the FASB considers the number and nature of the proposed changes and the amount of time stakeholders need to consider and comment on the proposal. The comment period will not, however, be less than 30 days. Exposure Drafts, and notices of issuance of Exposure Drafts, will specify the time and manner in which individuals and organizations may comment. Written comments received in respect of Statements and Exposure Drafts constitute a part of the FASB's public file.

Notice of issuance and availability of each Statement of Financial Accounting Concepts and of each Exposure Draft of a proposed Statement will be made through a posting on the FASB's website and by any other means (such as a press release) the FASB Chairman deems appropriate.

### **3. Other Communications**

The FASB may from time to time, at its discretion and with or without research, notice, public forums, or public exposure, issue in its name or at its direction other communications in respect of matters related to financial accounting and reporting. Those communications may include Discussion

Papers, Special Reports, Research Reports, responses to requests, and statements of policy dealing with matters of financial accounting and reporting.

The FASB may issue a Discussion Paper as a way of soliciting broad input at an early stage of a technical project or, in some cases, even before a technical project is added to the agenda.

In determining the comment period length for a Discussion Paper or other communication, the FASB considers the number and nature of the issues discussed and the amount of time stakeholders need to consider and comment on them. The comment period will not, however, be less than 30 days.

Each Discussion Paper will specify the time and manner in which individuals and organizations may comment. Written comments received on a Discussion Paper constitute a part of the FASB's public file. Notice of issuance and availability of each Discussion Paper will be made through a posting on the FASB's website and by any other means (such as a press release) the FASB Chairman deems appropriate.

While there is no prescribed format for a Discussion Paper, they often take one of two forms as discussed below.

#### **a. Invitation to Comment**

A Discussion Paper containing an invitation to comment is a FASB staff-authored document that does not include either preliminary views or tentative conclusions of the FASB. The FASB Chairman may authorize the issuance of an Invitation to Comment to solicit input on a variety of matters, such as:

- a. Matters relating to a *potential* standards-setting project
- b. Matters specific to an *active* agenda project
- c. A pronouncement or Exposure Draft issued by another standard setter
- d. Strategic, operating, or procedural issues under consideration by the FASB.

#### **b. Preliminary Views**

A Discussion Paper containing preliminary views is a Board-issued document that solicits input on the Board's preliminary views on major issues (or a subset of issues) it is addressing in an active agenda project. The Board will

generally issue such a Discussion Paper in the early stages of a project, focusing primarily on fundamental issues. The Discussion Paper will generally identify the financial accounting and reporting issues, discuss research findings (if any) and relevant literature, and describe the preliminary views, alternative solutions, and arguments and implications relative to each.

#### **4. Voting Requirements**

At least a majority of the full FASB<sup>4</sup> must approve:

- a. Issuance of an Accounting Standards Update or an Exposure Draft of a proposed Accounting Standards Update that amends (or proposes to amend) the authoritative portions of the Accounting Standards Codification
- b. Issuance of a Statement of Financial Accounting Concepts or an Exposure Draft of a proposed Statement of Financial Accounting Concepts
- c. Issuance of a Discussion Paper containing preliminary views of FASB members
- d. Amendments of the Rules of Procedure
- e. Closure of a meeting to public observation (see Section IV(I)).

A majority of FASB members must endorse proposed and final modifications or exceptions to U.S. GAAP, as proposed by the PCC, for those modifications to be issued as a proposed or final Accounting Standards Update. The endorsement process will take place at a public meeting of the FASB as soon as reasonably practicable, generally within 60 days of receiving a proposal from the PCC.

Voting by FASB members on any Accounting Standards Update, Statement of Financial Accounting Concepts, Exposure Draft, or Discussion Paper containing preliminary views will be by written ballot.

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<sup>4</sup>Except in the case of vacancy, disability of any duration or character preventing any member from voting, or in the event that any member, at any time before the vote, disqualifies himself or herself from voting for reasons relating to a policy of the Trustees adopted pursuant to Chapter A, Article II-A, Section 4 of the Foundation's By-Laws. In any of those events, the approval of not less than a majority (but in no event less than three of the remaining members of the FASB) shall be sufficient.

A member of the FASB may vote even if that member was not a member or did not participate during the research, discussion, or deliberative periods (for example, participate in public forums). A member of the FASB may continue to participate in public forums and otherwise during the research, discussion, and deliberative periods even though that member has disqualified or may disqualify himself or herself on a particular vote.

Any other action of the FASB requiring a vote of its members may be approved at a meeting of the FASB or by written ballot of its members.

## **5. Review Procedures**

Any individual or organization may request in writing that the FASB review or reexamine any portion of the Accounting Standards Codification or a Statement of Financial Accounting Concepts. Each request should:

- a. Identify the portion of the Accounting Standards Codification or the Statement of Financial Accounting Concepts that is the subject of the request
- b. State in sufficient detail the reason or reasons for the request, including information about whether and how events and circumstances after the issuance of the Update (or other pronouncement) that was the source of that guidance (including transitional and implementation issues) may be involved
- c. Set forth specific proposals for solution, with reasoning (technical or other as appropriate and practicable) in support of such proposals.

Copies of each request for review or reexamination should be emailed to [director@fasb.org](mailto:director@fasb.org) or sent via U.S. mail to:

Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, Connecticut 06856-5116

All such requests will be circulated to the members of the FASB, staff Directors, and such others as the FASB Chairman may deem appropriate.

In its consideration of such requests, the FASB will seek to determine whether the FASB adequately considered and dealt with the information and reasoning submitted in support of the request when the standards or concepts in question were developed, and whether events and circumstances coming to the FASB's attention warrant the FASB's review or reexamination. When it determines that adequate consideration may not have been given previously to such information or reasoning or that events and circumstances warrant review or reexamination, the FASB will consider and, in its discretion, take the action it deems appropriate in those circumstances. Those who submitted requests will receive responses in all cases, regardless of whether the FASB determines to grant a request for review or reexamination.

Requests for review or reexamination and the FASB's responses to the requests constitute a part of the FASB's public file.

The FASB at any time may on its own initiative review or reexamine any portion of the Accounting Standards Codification or any Statement of Financial Accounting Concepts. The FASB and its EITF periodically review developments and financial accounting and reporting questions (including implementation issues) coming to their attention, and the EITF advises the FASB about whether, in its judgment, the matter requires resolution by the FASB.

## **I. Meetings of the Financial Accounting Standards Board**

A quorum is required to convene a meeting of the FASB. A majority of FASB members serving<sup>5</sup> constitutes a quorum. The act of the majority of FASB members voting is required to approve any action.

Except as hereinafter provided, all meetings of the FASB will be open to public observation, limited to the amount of public seating available at the meeting place. If the FASB does not provide for any public seating at the meeting place, it will make the meeting available for public observation via video webcast. The FASB strives to make all public decision-making meetings and public forums held in its Norwalk offices available through audio or video webcast.

For purposes of this section, a "meeting" means the joint deliberations (with

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<sup>5</sup>For this purpose, a FASB member is serving unless his or her service has been suspended due to disability.

or without others present) of a majority of the FASB members then serving, where such deliberations are intended or expected by the Chairman to involve matters related to establishing or improving standards of financial accounting and reporting and the underlying conceptual framework for financial accounting and reporting.

For this purpose, a meeting does not include discussion among FASB members that involves the reporting of events or the consideration of administrative matters (such as strategic plans, operating procedures, project plans, and personnel matters), or an informal gathering primarily of a social nature.

Any meeting or a portion of a meeting of the FASB may be closed to public observation if, by vote of FASB members (see Section IV(H)(4)(e)), that meeting (or portion of that meeting) is determined as likely to result in discussion or disclosure of matters that relate to:

1. Administrative matters such as strategic plans, operating procedures, project plans, and personnel matters
2. Privileged matters, matters specifically exempted by statute or order from public disclosure, or proprietary information of a general character and statistical data and related explanatory material submitted, and information and data requested by the FASB, under confidential treatment
3. Matters that concern participation in proceedings in court or other involvement in judicial or other legal or regulatory proceedings or matters involving legislative, executive, or other governmental bodies.

Any meeting (or portion of any meeting) with a legislative, judicial, executive, or other governmental body or its representatives will be closed to public observation if requested by that body.

If a meeting is to be closed in whole or in part to public observation, or if FASB action is to be taken by written ballot, then, in each such case, the FASB will, as soon as practicable, make a public announcement of its reasons for closing the meeting (or portion of the meeting) or of the matters voted on by ballot.

The FASB will publicly announce the time, date, and place of each FASB meeting, the agenda for the meeting, the extent and reason any part of the meeting is to be closed to public observation, and a telephone number to call



for further information. Those announcements will be made at least four days before a regular meeting and two days before a special meeting, unless the FASB Chairman determines that the business to come before the FASB requires earlier consideration, in which event such announcements will be made as soon as practicable. All significant changes in previously announced public information about meetings will be publicly announced if and as practicable. All public announcements contemplated or permitted by these Rules of Procedure may be made by or at the direction of the FASB Chairman and will be sufficient if made by a posting to the FASB's website. The FASB Chairman may adjourn any meeting in whole or in part to reconvene at another time, date, or place without any announcement other than an announcement at the meeting.

The FASB will maintain minutes of its decision-making meetings, which summarize the matters discussed and the votes taken, as a part of the FASB's public file.

Nothing in this section will:

1. Authorize any person to be heard at, or otherwise to participate in, any meeting of the FASB or to record any meeting or portion of any meeting by electronic or photographic devices
2. Grant any person any rights not otherwise existing, including, without limitation, rights of access to any document, information, or data not otherwise existing under these Rules of Procedure
3. Obligate the FASB to provide any documents, information, or data used or referred to in the course of any meeting to any person
4. Preclude the ejection or exclusion of any person in attendance at any meeting whenever the FASB Chairman deems that action appropriate to preserve decorum, or for health or safety reasons, or to terminate behavior unauthorized by this section
5. Preclude the FASB Chairman from directing that a meeting in session be cleared of spectators, temporarily or permanently, if the FASB determines that the discussion during the meeting is likely to result in discussion or disclosure of matters that would permit the meeting to be closed.

## **J. Public Announcements**

The FASB Chairman is responsible for announcing developments in the operations and activities of the FASB that the Chairman deems of importance to the public. The FASB will make public announcements of the following through a posting to the FASB's website and by any other means the FASB deems appropriate in the circumstances:

1. The time, date, and place of each meeting of the FASB, the EITF, and public meetings of advisory committees; the agenda for the meeting; the extent and reason any part of the meeting is to be closed to public observation; and a telephone number to call for further information
2. The FASB's intention to hold a public forum; the time, date, location, and general format of the forum (for example, roundtable meeting or hearing); a brief statement of the subject or purpose of the forum; the date by which those wishing to participate in the forum are to notify the FASB; the date by which written comments are to be received by the FASB; the availability of documents, written comments, and other materials for the forum; and the availability of transcripts of the forum
3. All significant changes in previously announced public information about meetings and public forums if and as practicable
4. Additions and other changes to the FASB's agenda of projects, including the review or reexamination of any authoritative standards or Statements of Financial Accounting Concepts
5. Issuance and availability of Accounting Standards Updates, Statements of Financial Accounting Concepts, and Exposure Drafts
6. Issuance and availability of other significant FASB communications in respect of matters related to financial accounting and reporting, such as Discussion Papers
7. Issuance and availability of published reports prepared by or for the FASB or any of its task forces, committees, and other groups, including written research data and summaries of such data
8. Organization of, dischargement of, and appointments to an FASB advisory committee.

## **K. Public File**

Documents constituting the public file of the FASB and available for public review at the FASB's offices at 401 Merritt 7, Norwalk, Connecticut, are listed below. Some of these documents also are available on the FASB website.

1. Project plans of the FASB.
2. The minutes of decision-making meetings of the FASB and the EITF.
3. Notices of and written comments and other materials for public forums.
4. The transcripts of public forums to the extent prepared. In the absence of such a transcript, a report that identifies the participants, describes the issues discussed, and summarizes the views expressed.
5. All pronouncements of the FASB and documents issued for public comment. Those pronouncements and other documents include Accounting Standards Updates, Statements of Financial Accounting Standards, Statements of Financial Accounting Concepts, Interpretations, Exposure Drafts, Technical Bulletins, and proposed Technical Bulletins, Discussion Memoranda, Discussion Papers, and Invitations to Comment.
6. The ballots of members of the FASB and comments of dissenting members on the issuance of Accounting Standards Updates, Statements of Financial Accounting Standards, Statements of Financial Accounting Concepts, Interpretations, Exposure Drafts, Technical Bulletins, and proposed Technical Bulletins.
7. Other significant FASB communications such as statements of policy (including these Rules of Procedure).
8. Published reports of research projects, whether prepared by or for the FASB or any FASB advisory committees, including written research data and summaries of such data.
9. Written comments received by the FASB in respect of matters related to financial accounting and reporting from FASAC and its committees, the PCC, FASB advisory committees, members of the foregoing, and other individuals and organizations (other than proprietary material of a general character and statistical data and related explanatory material submitted under confidential treatment, and information and data requested by the FASB under confidential treatment).
10. The charter and membership of each FASB advisory committee.

11. Written documents prepared by the FASB Chairman and provided to the Chair of the PCC that describe the reasons why the FASB did not endorse a change to U.S. GAAP proposed by the PCC or the reason why the FASB did not act within 60 days of receiving the recommendation.
12. Requests for review or reexamination of portions of the Accounting Standards Codification or previously effective Statements of Financial Accounting Standards, Statements of Financial Accounting Concepts, Interpretations, Technical Bulletins, Accounting Research Bulletins, and Opinions of the Accounting Principles Board, and the written responses to the requests.
13. Written reports on the post-implementation review of FASB standards as undertaken by the Foundation and related FASB response, if any.
14. The annual reports of the Foundation, and the annual and quarterly reports of the Chairman of the FASB as to the FASB's activities.

To facilitate the free expression of views within the FASB and between the FASB and the Foundation, its advisory councils, advisory committees, project resource groups, and EITF, none of the following will be a part of the FASB's public file or be publicly available: (1) work papers, (2) memorandums and other internal materials, and (3) information and data the discussion or disclosure of which would constitute a basis for closing a meeting in whole or in part to public observation.

## **L. Availability of Publications**

The Basic View of the Accounting Standards Codification is available at no charge on the FASB's website. The Professional View of the Accounting Standards Codification, which includes various advanced features, is available from the FASB website for an annual subscription fee.

To promote broad public participation in the process of establishing and improving financial accounting and reporting standards, every Exposure Draft and Discussion Paper will be made available to download, without charge, from the FASB's website.

Publications of the FASB are subject to copyright restrictions. The FASB permits a limited number of copies of its publications to be made for internal or personal use, but not for resale or external distribution.

## **M. Requests for Information**

Requests for information regarding the FASB's public file or about meetings of the FASB, FASB advisory councils and advisory committees, and the EITF should be emailed to [director@fasb.org](mailto:director@fasb.org), directed to the FASB's Manager of Planning, Development and Support by calling 203-847-0700, or sent via U.S. mail to:

Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, Connecticut 06856-5116

Attn: Manager of Planning, Development and Support

Information about the availability of FASB publications may be obtained from the FASB's website at [www.fasb.org](http://www.fasb.org). Requests for information about those publications may also be directed to the FASB's Order Department via U.S. mail at the address above or by telephone at 203-847-0700.

The FASB's website also includes current information about the FASB's activities and projects.

