

MINUTES



MEMORANDUM

To: Board Members

From: Accounting for Financial Instruments Team

Subject: February 11, 2015 Board Meeting—
Accounting for Financial Instruments: Impairment

Date: February 18, 2015

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: Impairment

Basis for Discussion: FASB Memo No. 281—Disclosures Related to Scope Decisions
FASB Memo No. 282—Disclosures

Length of Discussion: 10:00 a.m. to 12:15 p.m. (EST)

Attendance:

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

Board members absent: None

Staff in charge of topic: Gupta and Pohlman

Other staff at Board table: Cospers, Esposito, C. Smith, Bossio, Casas, Cahill, Bjorkman, Brickman, and Richer

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board continued redeliberations of its proposed Accounting Standards Update, *Financial Instruments—Credit Losses (Subtopic 825-15)*, to develop final guidance on impairment of financial assets.

A final Accounting Standards Update is expected to be issued in the third quarter of 2015.

Tentative Board Decisions:

The Board continued redeliberations of the December 2012 proposed Accounting Standards Update, *Financial Instruments—Credit Losses (Subtopic 825-15)*, specifically discussing the following issues:

1. Disclosure requirements for available-for-sale (AFS) debt securities
2. Roll-forward disclosures
3. Definition of originations
4. Applicability of disclosure requirements to entities other than public business entities
5. Applicability of disclosure requirements to specific financial assets.

Disclosure Requirements for AFS Debt Securities

The Board decided to retain the disclosure requirements in current GAAP for AFS debt securities, updated for the general principles within the proposed Update regarding disclosing credit risk.

(Vote: 5-2)

Roll-Forward Disclosures

The Board decided not to require disclosure of a period-to period roll-forward of an entity's portfolio of loans and debt securities measured at amortized cost and debt securities measured at fair value through other comprehensive income.

(Vote: 7-0)

The Board affirmed the proposed requirement to disclose a period-to-period roll-forward of an entity's allowance for expected credit losses, both for financial assets measured at amortized cost and fair value through other comprehensive income.

(Vote: 7-0)

The Board decided to require that the credit-quality indicators for all classes of financing receivables (excluding revolving lines of credit such as credit cards) that are disclosed under current GAAP be disaggregated by year of the asset's origination (that is, vintage year). The Board decided to limit the disaggregation by vintage year to no more than five annual reporting periods, with the balance for financing receivables originated before the fifth annual reporting period shown in the aggregate. The Board decided that for an interim reporting period, the year-to-date (YTD) originations of the current annual reporting period would be considered to be current-period originations. For example, in the second quarter of 20X8 annual reporting period the entity would disclose the originations for YTD 20X8, 20X7, 20X6, 20X5, 20X4, and 20X3 and prior years. The Board directed the staff to perform outreach to understand the usefulness, costs, and operability issues with preparers, users, auditors, and financial institution regulators for this disclosure requirement, and on the basis of the feedback received, the Board may reconsider the alternatives to the roll-forward disclosure requirements at a future meeting.

(Vote: 7-0)

Definition of Originations

The Board decided that for the purpose of determining the vintage year for disaggregated credit-quality disclosures, an entity would use the guidance for determining a new loan resulting from loan refinancing or restructurings in current GAAP (paragraphs 310-20-35-9 through 35-12).

(Vote: 7-0)

Applicability of Disclosure Requirements to Entities Other Than Public Business Entities

The Board decided that the disclosure requirements related to credit risk and the recognition of credit losses should apply to all entities.

(Vote: 7-0)

Applicability of Disclosure Requirements to Specific Financial Assets

The Board decided that the disclosure requirements that apply to loan commitments also should apply to financial guarantees not accounted for as insurance or at fair value through net income.

(Vote: 7-0)

The Board decided that the disclosure requirements related to credit risk and the recognition of credit losses should apply to loans made by a not-for-profit entity to meet its mission.

(Vote: 7-0)

The Board decided that all disclosure requirements related to credit risk and the recognition of credit losses, except for the requirement to disaggregate the credit-quality indicators of those receivables by vintage, should apply to reinsurance receivables.

(Vote: 6-1)

Next Steps

At the next Board meeting the Board plans to discuss transition guidance.

General Announcements: None