

MINUTES



MEMORANDUM

To: Board Members
From: Reference Rate Reform Team
Subject: Minutes of November 13, 2019 Board Meeting
Date: November 13, 2019
cc: Dawn Tosches

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: Reference Rate Reform: Facilitation of the Effects of the Interbank Offered Rate Transition on Financial Reporting

Basis for Discussion: FASB Memo No. 7, *Comment Letter Summary, Redeliberations, Cost Benefit, and Permission to Ballot*, and FASB Memo No. 8, *Disclosure*

Length of Discussion: 10:00 to 11:40am EDT

Attendance:

Board members present: Golden, Kroeker, Botosan, Hunt, Shroeder, Buesser, and Cospier

Staff in charge of topic: Challen

Other staff at Board table: Casas, Um, Starkey, Jentgen, Fritz, and Sangiuolo

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of a final Accounting Standards Update that would facilitate the effects on financial reporting of the market-wide migration from interbank offered rates (IBORs) to alternative rates.

Tentative Board Decisions:

The Board discussed comments received on the proposed Accounting Standards Update, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, and made the following decisions.

Additional Issues Identified

The Board decided to provide optional relief to allow a one-time transfer of securities classified as held to maturity that (a) reference the London Interbank Offered Rate (LIBOR) or an eligible rate per proposed paragraph 848-10-15-4 and (b) were classified as held to maturity before January 1, 2020. **(Vote 5-2)**

Contract Modifications Relief

The Board affirmed its decisions on:

1. The scope of contracts qualifying for relief
2. The changes to terms that are permitted to be modified
3. The relief guidance for Topics explicitly specified
4. A principle that would give relief from contract modification requirements in other Topics not explicitly specified
5. The option for an entity to apply relief on a Topic-by-Topic basis.

(Vote 7-0)

The Board decided to clarify the examples of changes to terms related and unrelated to reference rate reform to improve the operability and auditability of the guidance. **(Vote 7-0)**

Hedge Accounting Relief

1. The Board affirmed its decisions to provide optional relief for:
 - a. Changes in critical terms for all hedging relationships
 - b. Hedge effectiveness assessments of cash flow hedges

- c. Changes to the designated hedged risk for fair value hedges subject to a revision that would require an entity that is electing to apply an approach that adjusts the hedged item's cumulative fair value hedge basis adjustment to recognize the adjustment currently in earnings. **(Vote 7-0)**
2. The Board affirmed its decision that an entity would apply the relief on a hedge-by-hedge basis. **(Vote 7-0)**
3. The Board decided to provide optional relief for excluded components in hedge accounting relationships that are affected by reference rate reform. **(Vote 7-0)**

Transition

1. The Board decided to provide certain hedge accounting relief for entities that have not adopted the amendments in Accounting Standards Update No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. **(Vote 7-0)**
2. The Board clarified that an entity can apply the guidance from the beginning of an interim period that includes the adoption date. **(Vote 7-0)**

Termination Date

The Board affirmed its decision that an entity cannot apply the guidance on or after January 1, 2023. **(Vote 7-0)**

Disclosures

1. The Board affirmed its decision to require entities to disclose the nature of and reason for electing the accounting relief in each interim financial statement of the fiscal year of change and in the annual financial statement of the period of change. **(Vote 4-3)**
2. The Board considered, but rejected additional disclosure requirements related to an entity's:
 - a. Application of optional expedients in the guidance. **(Vote 4-3)**
 - b. Exposure related to reference rate reform. **(Vote 4-3)**

Analysis of Costs and Benefits

The Board concluded that it has received sufficient information and analyses to make an informed decision on the perceived costs of the guidance and that the expected benefits would justify the expected costs of the optional expedients.

Next Steps

The Board directed the staff to draft a final Accounting Standards Update for vote by written ballot. **(Vote 4-3)**

General Announcements: None