



ACCOUNTING STANDARDS BOARD

**Minutes of a meeting of the Accounting Standards Board (2009:10)
held on 3 September 2009 at Aldwych House, 71-91 Aldwych, London, WC2**

PRESENT

Ian Mackintosh	Chairman
David Loweth	Technical Director
Edward Beale	
Marisa Cassoni	
Peter Elwin	
Ken Lever	
Andy Simmonds	
Robert Overend	

IN ATTENDANCE

Andrew Lennard	ASB Director of Research
Larry Pinkney	HM Treasury
David Tyrrall	BIS
Simon Peerless	Minutes Secretary

Technical Staff: Seema Jamil-O'Neill and Deepa Raval

APOLOGIES FOR ABSENCE were received from Nick Anderson and Mike Ashley (who sent written comments).

1 MINUTES OF MEETING

- 1.1 The minutes of the meetings held on 15 July 2009 (2009:08) and 23 July 2009 (2009:09) were agreed and approved for publication.

2 CHAIRMAN'S UPDATE AND REPORTS

- 2.1 The Board received an update on current events, including information on:
- the report of the Financial Crisis Advisory Group,
 - other developments relating to the global financial crisis,
 - the September meeting of EFRAG's Technical Experts Group (TEG),
 - the FRC's annual internal performance evaluation of the Board, and
 - the immediate reactions to the Board's consultation paper on the future of UK GAAP.

- 2.2 The Board noted the Status Report and approved its publication.
- 3 IASB EXPOSURE DRAFT 'FINANCIAL INSTRUMENTS: CLASSIFICATION AND MEASUREMENT'
- 3.1 The Board considered further the IASB's Exposure Draft 'Financial Instruments: Classification and Measurement'.
- 3.2 The Board approved responses to the IASB and EFRAG in which the main points were:
- a. although convergence with the FASB was important, the IASB should give priority to the development of its own high quality standard,
 - b. the simplification of the standard that would result from the proposals was supported,
 - c. the business model of the entity should be the main driver in determining the classification of financial instruments,
 - d. the removal of existing guidance on embedded derivatives would greatly simplify the standard but lead to more instruments being measured at fair value; field testing should be carried out to the extent possible in the time available to determine the practicality of these proposals,
 - e. reclassifications of financial instruments between categories should be permitted subject to disclosure of the effect of the reclassification, and
 - f. the cost of retrospective application is likely to exceed the benefits and should be reconsidered.
- 4 IASB REQUEST FOR INFORMATION 'IMPAIRMENT OF FINANCIAL ASSETS: EXPECTED CASH FLOW APPROACH'
- 4.1 The Board considered further the IASB's Request for Information 'Impairment of Financial Assets: Expected Cash Flow Approach'.
- 4.2 The Board approved a response to the IASB addressing the questions of practicality of the proposed model raised by the IASB.
- 5 IASB EXPOSURE DRAFT 'AMENDMENT OF IAS 32: CLASSIFICATION OF RIGHTS ISSUES DENOMINATED IN A FOREIGN CURRENCY'
- 5.1 The Board considered the IASB's Exposure Draft 'Amendment of IAS 32: Classification of Rights Issues Denominated in a Foreign Currency'.

- 5.2 The Board approved a response to the IASB which was supportive of the proposals but which emphasised the need to address the underlying principles of liability/equity split and for consistency with other standards.
- 6 AMENDMENTS TO UITF 42 AND FRS 26: EMBEDDED DERIVATIVES
- 6.1 The Board considered an amendment to UITF Abstract 42 (IFRIC 9) 'Reassessment of Embedded Derivatives' and FRS 26 (IAS 39) Financial Instruments: Recognition and Measurement' relating to embedded derivatives, together with a summary of responses to the financial reporting exposure draft issued in June 2009.
- 6.2 The Board approved the amendments for issue.
- 7 EC STAFF WORKING DOCUMENT ON POSSIBLE FURTHER CHANGES TO THE CAPITAL REQUIREMENTS DIRECTIVE
- 7.1 The Board received an update on the European Commission's staff working document on possible changes to the Capital Requirements Directive.
- 7.2 The Board approved a response to the Commission making the point that it should not be presumed that the 'through the cycle' expected loss provisioning model that was being considered would be accepted by the IASB as a basis for financial reporting.
- 8 EC REQUEST FOR COMMENTS ON THE IASB'S IFRS FOR SMALL AND MEDIUM-SIZED ENTITIES
- 8.1 The Board received an update on the progress of the European Commission's review of the Accounting Directives.
- 8.2 The Board approved a letter to the Commission welcoming the extension of the review to consider the role of the IASB's IFRS for SMEs.
- 9 NATIONAL STANDARD-SETTERS MEETING IN SEPTEMBER 2009
- 9.1 The Board noted the agenda items for the meeting of National Standard Setters to be held on 8 and 9 September.
- 10 EFRAG INVITATION TO COMMENT ON ENDORSEMENT OF IASB'S IMPROVEMENTS TO IFRS ISSUED IN APRIL 2009
- 10.1 The Board considered EFRAG's Invitation to Comment on the endorsement of IASB's Improvements to IFRS issued in April 2009 and approved a response supporting endorsement.

11 REPORTS OF THE JULY 2009 MEETING OF THE IASB AND OF THE JULY 2009 MEETING OF EFRAG'S TECHNICAL EXPERTS GROUP (TEG)

11.1 The Board noted the reports of the July 2009 meeting of the IASB and of the July 2009 meeting of EFRAG's Technical Experts Group (TEG).

12 NEXT MEETING

Thursday 24 September, 9.00 a.m.