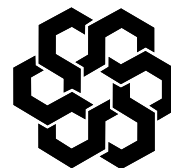




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*This document is provided as a convenience to observers at the IASB and FASB Joint board meeting, to assist them in following the Boards' discussion. It does not represent an official position of the IASB or the FASB. Board positions are set out in Standards (IASB) or Statements or other pronouncements (FASB).*

*Note: These notes are based on the staff paper prepared for the joint board meeting. Paragraph numbers correspond to paragraph numbers used in the board paper. However, because these notes are less detailed, some paragraph numbers are not used.*

## INFORMATION FOR OBSERVERS

**Board Meeting:** Joint IASB-FASB Meeting, 27 April 2006, London

**Project:** Financial Instruments  
The Memorandum of Understanding and the Long-Term Objectives  
for Financial Instruments (Agenda Paper A1)

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## BACKGROUND

1. Agenda paper 1 sets out a possible project involving the long-term objective to eliminate or simplify hedge accounting. That paper should also be considered in the context of the Memorandum of Understanding ('MOU') between the FASB and the IASB.

## PURPOSE OF THIS PAPER

2. Following discussions with both the FASB and the IASB ('the Boards'), it is clear to the staff that the Boards need to consider more broadly the objective set out in the MOU to have issued one or more due process documents relating to the accounting for financial

instruments, and the interaction of the due process document with the Boards' long term objectives for simplifying and improving the accounting for financial instruments.

3. This paper sets out
  - a. The decisions required by the Boards at this meeting in relation to the due process document envisaged by the MOU, and how such due process document interacts with the long term objectives for financial instruments, and
  - b. The possible contents of such a due process document
4. This paper does not consider the other active initiatives related to financial instruments – namely the research projects on display and disclosure of fair value changes and derecognition. The staff intend to address these projects (and the possible interaction with decisions the Boards are being asked to make at this meeting) at a later date.

#### **DECISIONS REQUIRED FROM THE BOARDS**

5. The staff requests that the Boards make a decision relating to the nature and general contents of the due process document envisaged by the MOU, and the relationship with the long term objectives for financial instruments of the Boards
6. The staff is NOT asking for any agenda decisions or specific technical decisions to be taken at this meeting.

#### **POSSIBLE CONTENTS OF THE DUE PROCESS DOCUMENT**

7. The staff believes that some or all of the following issues could be discussed in the due process document envisaged by the MOU (this list is not necessarily complete!):
  - a. Issues resulting from a mixed measurement model
  - b. Possible approaches to addressing the issues identified (roadmap, including possible intermediate steps to measuring all financial instruments at fair value as well as the option of measuring all financial instruments at fair value)

- c. Discussion of the different possible measurement attributes for financial instruments and how they meet the objective of providing decision useful information to users of financial statements
- d. Progress made to date on addressing the practical and technical problems identified by the Boards of measuring all financial instruments at fair value, such as the display and disclosure of fair value changes and fair value measurement
- e. Relationship with other projects (such as Financial statement presentation)

## **NEXT STEPS**

- 8. Following any decisions taken by the Boards at this meeting relating to the nature and general contents of the due process document, the staff will draft a summary of the possible structure and contents of the due process document. The staff will aim to present this to each Board for comments by June 2006.