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**International
Accounting Standards
Board**

This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB. Board positions are set out in Standards.

These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

Board Meeting: 13 December 2007, London

Project: Financial Instruments – Derecognition research project

Subject: Cover paper: Linked presentation (Agenda paper 9)

Why discuss linked presentation?

1. The Boards asked the staff at the joint meeting in October to report back on two views as to when 'linked presentation' should be applied to financial assets and financial liabilities assuming that:
 - a. the derecognition principle proposed by the staff is applied, and
 - b. discussions are only in the context of financial instruments- since that will be the scope of the staff report on derecognition
2. At this meeting the staff would like to report back on two views.

What is the objective of this meeting?

3. Board Members will be asked whether they support linked presentation View 1 or linked presentation View 2. Views of the Boards will be included in the staff report on derecognition, which is the next milestone in the research project on derecognition.

Contents of papers

4. Paper 9A defines and compares View 1 and View 2.
5. Paper 9B illustrates View 1 and View 2 using case studies.

Changes to the linked presentation principle proposed by the staff in October

6. The staff has updated the wording of the proposed linked presentation principle, contained in Paper 9B, since October.
7. At the meeting in October the Boards heard that staff proposed that linked presentation should be applied when *‘the entity unconditionally promises at the reporting date that economic benefits on the financial asset will be used to settle recognised present obligations’*.
8. The staff has tried to simplify and improve the wording of the linked presentation principle, and now recommends in Paper 9B that linked presentation should be applied when *“an entity is obliged at the reporting date to settle a financial liability using economic benefits generated by a financial asset”*. This revised proposed wording is not intended to change the application of the linked presentation principle proposed by the staff in October.

FASB discussions on linked presentation (for information purposes)

9. During May 2007 meeting, the FASB directed the FASB staff to research the removal of the qualifying Special Purpose Entity concept from Statement 140: *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* and to further develop a linked-presentation model.
10. At an education session in September 2007, the FASB staff provided feedback on five alternative principles as to when a transferred financial asset and a secured borrowing should be displayed as linked. The five alternatives were intended to start a discussion that would provide the staff with a direction for

which alternatives should be developed further for the Board's consideration at a future meeting.

11. Although the FASB has not made a final decision on a linked presentation principle, preliminary discussions focused on transactions that “unconditionally commit to pass-through the cash flows received on a transferred financial asset”. The FASB has however also asked their staff to develop additional criteria that provide additional limits on the transactions that would meet the criteria for linked presentation.
12. In December 2007 the FASB is set to discuss whether, and if so what, changes should be made to the derecognition hurdle in FAS 140.