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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: December 2008, London
Project: Derecognition of Financial Assets and Liabilities
Subject: Cover note (Agenda Paper 10)

INTRODUCTION

1. This cover paper summarises the papers on derecognition of financial assets and liabilities that will be discussed at this meeting.
2. At the October 2008 meetings, the staff presented a proposed derecognition principle for financial assets and two approaches to applying the derecognition principle in practice.
3. The Board asked the staff to develop further both approaches and raised particular issues that the staff needs to address.
4. The Board discussed and reached preliminary conclusions on some of the issues raised at the October meetings.

5. The papers to be discussed at this meeting address some of the remaining issues and a plan of how the staff intends to address all the issues relating to the proposed approaches that need further research prior to issuing an ED.
6. The staff will also be presenting papers on derecognition of financial liabilities, for the first time, at this meeting.
7. This paper is accompanied by six other papers on derecognition of financial assets and liabilities and the contents of those papers are summarised below:
 - a. **Agenda Paper 10A** – This paper provides a summary of the open issues that the Board might want to address before issuing an ED on this project. The paper provides a summary of the decisions reached by the Board so far and sets out how the staff plans to address the remaining issues, including the project timetable.
 - b. **Agenda Paper 10B** – This paper addresses the issue of whether the proposed derecognition principle should or can be applied to ‘part’ of a derivative, equity, hybrid instrument.
 - c. **Agenda Paper 10C** – This paper addresses the Board’s request for further analysis of if and how a written put option on a non-readily obtainable financial asset really constrain a transferee from transferring the asset to a third party.
 - d. **Agenda Paper 10D** – This paper provides further analysis and explanation of whether and why a transfer of a non-readily obtainable financial asset with a physically settled forward purchase at a fixed price (or a physically-settled total return swap) qualify for derecognition under Flowchart 1 when the perspective of the derecognition tests is changed from that of the transferee to that of the transferor.
 - e. **Agenda Paper 10E** – This paper analyses the existing derecognition model for financial liabilities and suggests an alternative derecognition approach to derecognition of financial liabilities.

- f. **Agenda Paper 10F** – This paper analyses particular issues arising from the interaction between the derecognition approaches for financial liabilities and financial assets. This include issues such as the effect of secured liabilities with recourse, secured liabilities without recourse and collateral arrangements which are not transfers.