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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:** Public Round Table Meetings on the Global Financial Crisis

**Subject:** Background and Overview (Agenda Paper 6)

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#### **Background**

1. In October the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) announced their joint approach to dealing with reporting issues arising from the global financial crisis. The boards reiterated the importance of working cooperatively and in an internationally coordinated manner to consider accounting issues emerging from the global crisis.
2. The boards agreed to the following measures:
  - (a) public round tables in Asia, Europe and North America;
  - (b) a high-level advisory group; and
  - (c) long-term solutions to reporting of financial instruments.
3. This series of papers addresses the public round tables initiative.

## **Purpose and structure of the round table meetings**

4. The round table meetings:
  - (a) allowed the members of the two boards to hear input from a wide range of stakeholders, including users, preparers, and auditors of financial statements, regulators and others; and
  - (b) were designed to help the boards identify accounting issues that may require the urgent and immediate attention of the boards to improve financial reporting and help enhance investor confidence in financial markets.
5. The round table participants were also asked to identify broader financial reporting issues arising from the global economic crisis. These issues will be given consideration by the high-level advisory group.
6. Round table participants were asked to submit in advance of the meeting any issues that they wanted to discuss. The submissions formed the basis for the agenda for each round table meeting.
7. For each issue that was raised by participants, the following questions were asked:
  - (a) Is the issue related to the credit crisis? In other words, why should we address the issue now?
  - (b) Where are the IASB and FASB on the issue? Are IFRS and US GAAP converged or is there an opportunity to converge?
  - (c) What is your suggested solution?
  - (d) How does that suggestion improve financial reporting and help enhance investor confidence?
  - (e) Does the issue require the boards' urgent and immediate attention or should the issue be addressed in a longer term project?

## **Purpose of this series of papers**

8. This agenda paper provides an inventory of the main suggestions made by participants at the public round table meetings on the global financial crisis

held in November and December. There are separate agenda papers that deal with some of these issues in more detail (agenda papers 6A–6E), and those papers ask the Board to take decisions on particular issues.

9. **This series of papers only considers whether any of the accounting issues raised by participants may require the urgent and immediate attention of the boards to improve financial reporting and help enhance investor confidence in financial markets.**
10. The staff note that most participants at the round table meetings stated that they believed that none of the issues identified could or should be addressed to permit or require entities to change the accounting for 2008 reporting periods. This view was almost universally expressed among investors who participated in the round table meetings.
11. In addition to the issues set out in this and the accompanying papers, many participants made general comments about the importance of:
  - (a) convergence between IFRS and US GAAP; and
  - (b) sufficient due process before any changes are made by the IASB or the FASB. They noted that accelerated efforts in complex areas could result in unhelpful reporting and unintended consequences.
12. This series of papers are not designed to offer more comprehensive approaches to improving financial reporting of financial instruments – although many participants at the round table meetings stressed that the boards should move as quickly as possible to do this (‘months, not years’ – according to one participant), but with appropriate due process.
13. This series of agenda papers address the issues mainly from an IFRS context, but they also include some discussion of convergence with US GAAP in particular areas where relevant. It is important to note that IAS 39 and US GAAP accounting requirements for financial instruments are different in many areas today, and that any attempt to converge requirements in the very short-term will be difficult, and arguably impossible. Some participants at the round

table meetings noted that short-term changes to attempt to create a ‘level playing field’ would not improve financial reporting of financial instruments or enhance investor confidence in financial markets, because of the temptation to ‘cherry-pick’ particular requirements that provided a desired accounting answer but to ignore other related requirements that are not as attractive.

### **Inventory of issues and suggestions**

14. The following table summarises some of the main issues that were raised at the public round table meetings that are addressed in this series of agenda papers:

Issue	Agenda Paper
<p><u>Impairment</u></p> <ol style="list-style-type: none"> <li>1. Overview of impairment issues</li> <li>2. AFS debt instruments: Differentiation between credit related impairment losses and other fair value changes for impairment triggers, measurement, presentation and disclosure.</li> <li>3. AFS equity instruments:               <ol style="list-style-type: none"> <li>(a) Impairment trigger</li> <li>(b) Reversal of impairment losses.</li> </ol> </li> </ol>	<p>6A</p> <p>6A1</p> <p>6A2</p>
<p><u>Fair value option (FVO)</u></p> <ol style="list-style-type: none"> <li>1. Scope</li> <li>2. Eligibility criteria (IAS 39)</li> <li>3. Reclassification</li> </ol>	<p>6B</p>
<p><u>Fair value measurement</u></p> <ol style="list-style-type: none"> <li>1. Level of detail and extent of guidance</li> </ol>	<p>6C</p>

2. Authority of guidance		
<u>Other issues</u> 1. Clarification of the interaction between IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (as recently amended) and IFRIC 9 <i>Reassessment of Embedded Derivatives</i> 2. Clarification of accounting for investments in collateralised debt obligations (CDOs)		6D1 and 6D2  6E

15. The separate agenda papers set out the participants' suggestions as well as the staff's analysis and recommendations to the Board.
16. Other issues and suggestions not addressed in this series of board papers include hedge accounting, enhanced disclosures (beyond impairment disclosures), application issues regarding measurement of AFS impairment following previous impairments, enhanced application guidance regarding the meaning of 'significant or prolonged' in the context of impairment for equity investments and accounting for foreign exchange losses. The staff will address these issues at a subsequent board meeting.