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| Project | Conceptual Framework - Measurement |
| Topic | Cover Note and Questions for the Boards |

Background

1. The attached paper (IASB agenda paper 2A, FASB memo 95) is a new measurement chapter draft [please note this paper is omitted from the observer notes]. In response to Board members' comments on the last draft, we have completely redrafted. The new draft is shorter and simpler. Nevertheless, the staff thinks that it still reflects a core of ideas that the Boards seem to have accepted in past drafts.
2. In October, the IASB discussed a paper written by the staff of its Credit Risk in Liability Measurement (CRLM) project (Agenda Paper 6). As a result of that discussion, the IASB decided (a) to discontinue the CRLM project, and that (b) the issue of credit risk in liability measurement should be part of the measurement phase of the Conceptual Framework project. The FASB did not have a CRLM project and has not made a similar decision. The staff has not explicitly incorporated material relating to CRLM in its new draft of the measurement chapter.

Purpose

3. The purpose of this meeting is twofold:
 - a. To discuss whether the staff should begin drafting a discussion paper based on the new measurement chapter draft.

This paper has been prepared by the technical staff of the FASB and the IASB for discussion at a public meeting of the FASB or the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the FASB or the IASB.

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- b. To discuss how the topic of CRLM should be addressed.

Staff Recommendations and Questions for the Boards

- 4. The staff recommends that the Boards approve the drafting of a discussion paper based on the attached paper plus a basis for conclusions (yet to be drafted). We think that the new draft provides a sufficient foundation for drafting a discussion paper, considering that a basis for conclusions will provide explanations that are lacking in the draft and that Board members will deliberate the content of a discussion paper before it is published.

Question 1: Drafting a discussion paper

Do the Boards agree with the staff recommendation to begin drafting a discussion paper?

- 5. The staff recommends that CRLM be discussed to a limited extent in the basis for conclusions to the measurement chapter. To discuss it in depth or within the body of the chapter would be counter to the direction that the Boards have moved the draft thus far and would introduce an imbalance in content emphasis.

Question 2: Addressing credit risk in liability measurement

Do the Boards agree with the staff recommendation to address CRLM to a limited extent in the basis for conclusions?