

Staff Paper

Project **Financial Instruments: Impairment**

Topic **Cover memo**

1. In June 2011, the International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) decided to continue to develop the ‘three-bucket’ expected loss approach for the impairment of financial assets with a guiding principle to reflect the general pattern of deterioration in credit quality of loans. The different phases of the deterioration in credit quality are captured through the ‘three buckets’ that determine the allowance balance. The allowance balance of Buckets 2 and 3 would be the remaining lifetime expected losses.
2. At this meeting, the Board will discuss the following two papers:
 - (a) IASB agenda paper 7A / FASB memo 100 – Transfer between buckets
 - (b) IASB agenda paper 7B / FASB memo 101 – Bucket 1 measurement

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