Expert Advisory Panel
26-27 April 2010
Agenda

1. Administrative matters

    a. Introduction

2. FASB update and discussions

    a. EAP member thoughts on operational aspects of the draft Accounting Standard Update on credit impairments

    b. Variable rate instruments (use of 'pay-as-you-go' variable rate versus 'forward yield curve' to discount variable rate instruments)

3. The use of practical expedients *(Ned Pollock)*

4. Proposed converged impairment model (*Urs Bluemli, Rubén García Céspedes*, *Bill Hayward*, *Ralf Leiber, Stephen Mackey, Iain MacLachlan*, *Tomoki Muto and Franciane Rays*)

5. Feedback from the effective interest method subgroup on the IASB model

    a. Issue 2 – EIM approximation outcomes *(Iain MacLachlan)*

    b. Issue 2 – EIM approximations *(Rubén García Céspedes)*

    c. Open/closed porfolios *(Franciane Rays)*

6. Feedback from the cash flow estimate subgroup on the IASB model

    a. Issue 14 – updating estimates (operationalise frequency of re-estimates) (*Urs Bluemli, Bill Hayward and Franciane Rays)*

    b. Uncertainty of estimates *(Nathalie Beaudemoulin)*

    c. Issue 17 – estimates for non-rated instruments *(Pierre-Emmanuel Juillard)*

7. Brazilian Model – sharing of ideas *(Ênio Bonafé)*

Appendix A (proposed revision 22 March 2010)

Following is a list of issues that have been identified in the course of the project regarding impairment of financial instruments, including the comments received on the Request for Information as well as other issues suggested by EAP candidates.

Estimating cash flows:

1. lack of historical data;

2. estimates for individual financial instruments;

3. estimates on a portfolio and individual level;

4. ~~implications of 'actual' losses;~~ *(thoroughly discussed)*

5. correlation in portfolios;

6. migration of instruments over time;

7. ~~penalty payments;~~

8. ~~recovery costs;~~

9. interaction with Basel II requirements;

10. implications of probability of pre-payment;

11. estimates using data from secondary sources;

12. simplifications for standardised banks;

13. ~~macroeconomic outlook and management judgement~~; *(thoroughly discussed)*

14. updating estimates (operationalise frequency of re-estimates);

15. loan restructures and loan commitments; and

16. ~~cash flows for floating rate notes where benchmark interest rate are not observable; and~~

17. estimates for non-rated instruments.

Effective interest method/allocation mechanism for initial estimate of expected credit losses:

1. variable rate instruments;

2. possible alternatives for the allocation of the initially expected losses;

3. determination of the initial expected spread;

4. applying the ECF approach to specific types of instruments (eg instalment loans or revolving facilities);

5. simplifications for standardised banks and non-financial companies

6. possible simplifications for standardised banks and non-financial companies; and

7. transitional requirements.

Other:

- disclosure requirements and transparency.