Expert Advisory Panel
8 December 2009
Summary Agenda

1. Introduction of Expert Advisory Panel (EAP) members

2. Summarise objectives of the EAP

    a. To advise the Boards on how the operational challenges of the IASB's Expected Cash Flow (ECF) approach and the FASB's credit impairment approach might be resolved; in particular:
        i. how to best address process-driven implementation issues; the EAP is expected to provide analyses and develop practical solutions for this purpose.
        ii. what guidance would be useful to be provided by the Boards and in what format (educational guidance or as part of authoritative literature).
    b. To assist in organising and running field testing of any proposals made by the Boards.

3. How the EAP will operate
    a. Frequency and duration of meetings
    b. Dates and venues for future meetings
    c. Subcommittees of EAP members

4. Setting the workplan
    a. Issues to be discussed at future meetings (see Appendix A); including:
        - more detailed scoping of those issues;
        - clustering of issues;
        - the sequence of addressing them.
    b. Formation of subcommittees and allocation of issues

Appendix A

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 IASB's Request for Information as well as other issues suggested by EAP candidates.

Estimating cash flows:

- lack of historical data;
- estimates for individual financial instruments;
- estimates on a portfolio and individual level;
- implications of 'actual' losses;
- correlation in portfolios;
- migration of instruments over time;
- penalty payments;
- recovery costs;
- interaction with Basel II requirements;
- implications of probability of pre-payment;
- estimates using data from secondary sources;
- simplifications for standard banks;
- macroeconomic outlook and management judgement;
- updating estimates (operationalise frequency of re-estimates);
- loan restructures and loan commitments;
- cash flows for floating rate notes where benchmark interest rate are not observable; and
- estimates for non-rated instruments.

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

- variable rate instruments;
- possible alternatives for the allocation of the initially expected losses;
- determination of the initial expected spread;
- applying the ECF approach to specific types of instruments (eg instalment loans or revolving facilities);
- determining interest revenue for originated and purchased financial instruments (with lower credit quality);
- simplifications for standard banks and non-financial companies; and
- transitional requirements.

Other:

- disclosure requirements and transparency.