



To:	AASB members	Date:	16 November 2011
From:	Christina Ng	Agenda Item:	17.2
Subject:	Financial Instruments Impairment - project update	File:	

Action

To provide AASB members with an update of financial instruments impairment matters resulting from the Asian-Oceanian Standard-Setters Group (AOSSG) November 2011 meeting.

Overview

The IASB and FASB plan to continue deliberating the project at their 12-16 December 2011 meeting instead of 15-16 November 2011. Due to the timing of the meetings, staff will provide an update of the IASB developments resulting from the IASB/FASB December 2011 meeting at the 15-16 February 2012 AASB meeting.

AASB staff will present the AOSSG Financial Instruments Working Group's views of the IASB's progress to date at the AOSSG meeting in November 2011. Staff will provide a verbal update of matters arising from the AOSSG meeting at the 7-8 December 2011 AASB meeting.

Background

The IASB and the FASB have been deliberating revisions for the proposed financial instruments impairment model with the objective of issuing a converged impairment approach.

At the October 2011 AASB meeting, AASB staff provided an update on tentative decisions made by the IASB and the FASB at their October 2011 meeting. As a reminder, the IASB tentatively decided:

- (a) to pursue a model in which the overall objective is to reflect the deterioration in credit quality of financial assets;
- (b) to develop a principle and indicators for 12 or 24 months of expected losses (Bucket 1) and lifetime expected losses (Buckets 2 and 3);
- (c) to focus on robust disclosures to support the principle-based 'expected but not reported' impairment model and to ensure comparability between entities; and
- (d) all financial assets regardless of credit quality at origination or acquisition are classified in 'Bucket 1' at initial recognition.

The IASB's updated work plan (as at 3 November 2011) indicates a re-exposure of revised proposals by H1 of 2012.