

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

proposal to improve financial reporting about repurchase agreements and other transfers with forward agreements to repurchase transferred assets.

Jan. 15, 2013

The Financial Accounting Standards Board has issued for public comment its **proposal** to improve financial reporting about repurchase agreements and other transfers with forward agreements to repurchase transferred assets.

The Proposed Accounting Standards Update, *Transfers and Servicing (Topic 860)—Effective Control for Transfers with Forward Agreements to Repurchase Assets and Accounting for Repurchase Financings*, would clarify the guidance for distinguishing these transactions as either sales or secured borrowings and improve disclosures about them. Stakeholders are asked to review and provide comments on the proposal by March 29, 2013.

“Investors have raised concerns that current accounting and disclosures for repurchase agreements do not appropriately reflect the transferor’s obligations and risks resulting from those transactions in certain circumstances,” stated FASB Chairman Leslie F. Seidman. “The Board is seeking stakeholder input on changes intended to ensure that investors are getting useful information about these and similar arrangements.”

Determining whether a transfer of financial assets in a repurchase agreement (and other transactions with similar attributes) is a sale or an on-balance-sheet secured borrowing often rests on an evaluation of whether the transferor maintains “effective control” over the transferred asset.

Under current U.S. Generally Accepted Accounting Principles (GAAP), effective control is maintained by a transferor, and therefore secured borrowing accounting is

required, if there is a contemporaneous forward agreement to repurchase the same or

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

credit risk related to the transferred asset and obtains certain benefits from the asset.

The proposed guidance would eliminate the distinction between agreements that settle before the maturity of the transferred asset and those that settle at the same time as the transferred asset matures. As a result, both types of transfers with forward agreements to repurchase the transferred assets or “substantially-the-same” assets at a fixed price would maintain the transferor’s effective control during the term of the agreement and would be accounted for as secured borrowings.

For these types of arrangements, the proposed guidance would result in financial reporting that is more comparable with International Financial Reporting Standards (IFRS). When the transferor does not maintain effective control over a transferred financial asset, the transaction would be required to be assessed under the remaining derecognition conditions in U.S. GAAP to determine whether it should be accounted for as a secured borrowing or sale with a forward repurchase agreement.

Stakeholders also cited the need for more guidance on assessing whether financial assets to be repurchased are “substantially the same” as those initially transferred, as well as the need for improved disclosures regarding the effect of repurchase agreements and other transfers with forward agreements to repurchase transferred assets on the transferor’s risk profile.

The proposed guidance would clarify the characteristics of assets that may be considered “substantially the same” and would require new disclosures for certain transfers with forward agreements to repurchase the transferred assets.

In addition, the proposed amendments would change the accounting for a transfer of a financial asset and contemporaneous repurchase agreement financing that asset between the same counterparties (repurchase financings).

The proposed guidance would eliminate the current requirement to account for the

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

[Accounting](#) • [Accounting Standards](#) • [Financial Reporting](#)

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved