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improve the financial reporting of repurchase agreements and other similar transactions. Accounting Standards Update No. 2014-11, *Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*, changes the accounting for repurchase-to-maturity transactions and repurchase financing arrangements.

**Isaac M. O'Bannon** • Jun. 18, 2014

The Financial Accounting Standards Board ([FASB](#)) has issued a new standard to improve the financial reporting of repurchase agreements and other similar transactions. Accounting Standards Update No. 2014-11, *Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*, changes the accounting for repurchase-to-maturity transactions and repurchase financing arrangements.

It also requires enhanced disclosures about repurchase agreements and other similar transactions. The new guidance aligns the accounting for repurchase-to-maturity transactions and repurchase agreements executed as a repurchase financing with the accounting for other typical repurchase agreements. Going forward, these transactions would all be accounted for as secured borrowings.

The guidance eliminates sale accounting for repurchase-to-maturity transactions and supersedes the guidance under which a transfer of a financial asset and a contemporaneous repurchase financing could be accounted for on a combined basis as a forward agreement, which has resulted in outcomes referred to as off-balance-sheet accounting. The new guidance also brings Generally Accepted Accounting Principles (GAAP) into greater alignment with International Financial Reporting Standards (IFRS) for repurchase-to-maturity transactions.

“The new guidance addresses investor concerns about the distinction in GAAP

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term of the transaction. The Update also requires expanded disclosures about the nature of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings.

The accounting changes in this Update are effective for public companies for the first interim or annual period beginning after December 15, 2014. In addition, for public companies, the disclosure for certain transactions accounted for as a sale is effective for the first interim or annual period beginning on or after December 15, 2014, and the disclosure for transactions accounted for as secured borrowings is required to be presented for annual periods beginning after December 15, 2014, and interim periods beginning after March 15, 2015.

For all other entities, all changes are effective for annual periods beginning after December 15, 2014, and interim periods beginning after December 15, 2015. Earlier application for a public company is prohibited, but all other companies and organizations may elect to apply the requirements for interim periods beginning after December 15, 2014.

The new [guidance](#), a *FASB in Focus* document, and a video [podcast](#) that provides a high-level overview of the guidance are available at [www.fasb.org](http://www.fasb.org).

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