

Financial Accounting Standards Board
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FOR IMMEDIATE RELEASE

FASB Issues FASB Staff Position (FSP) No. 133-1 and FIN 45-4, *Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161*

Norwalk, CT, September 12, 2008—The Financial Accounting Standards Board (FASB) has issued FASB Staff Position (FSP) No. 133-1 and FIN 45-4, *Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161*. The FSP is intended to improve disclosures about credit derivatives by requiring more information about the potential adverse effects of changes in credit risk on the financial position, financial performance, and cash flows of the sellers of credit derivatives. It amends FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, to require disclosures by sellers of credit derivatives, including credit derivatives embedded in hybrid instruments.

Over the past few years, credit default swaps have become the most dominant product of the credit derivatives market. They also have become the focus of attention for both market participants and regulators because of the turmoil in credit markets during 2007 and 2008. During this period, some sellers of credit derivatives have seen a large number of obligations that are referenced in credit default swaps facing actual or potential defaults, resulting in large liabilities and/or potential credit downgrades. The FSP addresses concerns of financial statement users that the disclosure requirements in Statement 133 do not adequately address the potential adverse effects of changes in credit risk on the financial statements of the sellers of credit derivatives.

The FSP also amends FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others*, to require an additional disclosure about the current status of the payment/performance risk of a guarantee. This amendment of Interpretation 45 reflects the Board's belief that instruments with similar risks should have similar disclosures.

The provisions of the FSP that amend Statement 133 and Interpretation 45 are effective for reporting periods (annual or interim) ending after November 15, 2008.

Finally, the FSP clarifies the Board's intent about the effective date of FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. In deciding on the effective date for Statement 161, the Board intended that entities begin providing the

additional disclosures for the first reporting period beginning after November 15, 2008. However, the use of the terms *fiscal years* and *interim periods* in paragraph 7 of Statement 161 has raised questions about whether the disclosures are required in the 2009 annual financial statements (for example, in the 10-K filings) for entities with non-calendar-year-ends (for example, March 31, 2009), because an annual report (such as a 10-K filing) generally does not include separate financial statements for the fourth-quarter interim period.

Accordingly, the FSP clarifies that the disclosures required by Statement 161 should be provided for any reporting period (annual or quarterly interim) beginning after November 15, 2008. For example, an entity with a March 31 fiscal year-end should provide the disclosures for its fourth quarter interim period ending March 31, 2009, in its 2009 annual financial statements. This clarification of the effective date of Statement 161 is effective upon issuance of the FSP.

About the Financial Accounting Standards Board

Since 1973, the Financial Accounting Standards Board has been the designated organization in the private sector for establishing standards of financial accounting and reporting. Those standards govern the preparation of financial reports and are officially recognized as authoritative by the Securities and Exchange Commission and the American Institute of Certified Public Accountants. Such standards are essential to the efficient functioning of the economy because investors, creditors, auditors, and others rely on credible, transparent, and comparable financial information. For more information about the FASB, visit our website at www.fasb.org.

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