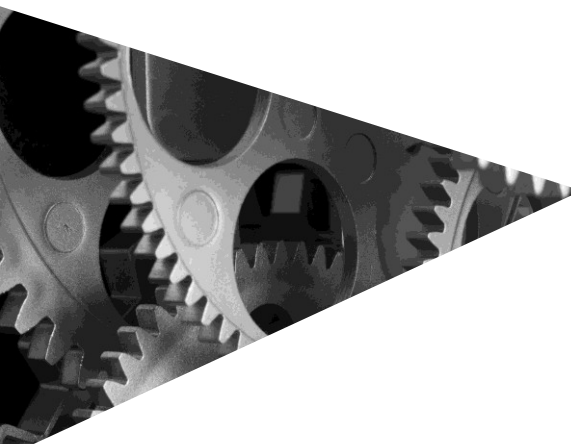


Practical matters

for the c-suite



Financial instruments convergence project moves forward in fits and starts

While perhaps relieved that the FASB has retreated from its strong embrace of fair value accounting as the underpin of its original 2010 financial instruments proposal, companies are beginning to focus on the likely changes that have survived redeliberations thus far and how to prepare for them.

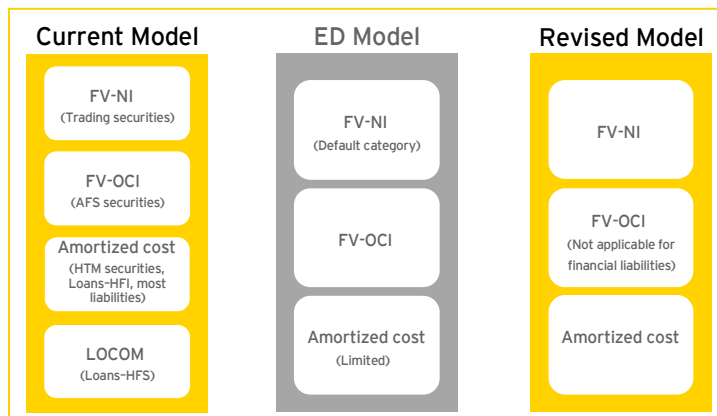
Here is where things stand now for financial instruments:

- ▶ Impairment, classification and measurement, and hedge accounting are still the primary areas of emphasis for both the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) (collectively, the Boards).
- ▶ The Boards did not develop their original models for any of the three areas in joint fashion or concurrently, making after-the-fact convergence efforts more challenging to both Boards.
- ▶ Both Boards abandoned their original impairment models earlier this year and have been working together since then, but the effort to outline specifics that they agree upon has proven elusive. We do know this much: the new model will replace the current “incurred loss” principle with an “expected loss” principle that will require impairments to be recognized sooner.
- ▶ The IASB long ago completed its classification and measurement model, and has completed redeliberations on its hedging model in preparation for a 2012 final release.
- ▶ The FASB is finalizing its classification and measurement model for an early 2012 re-exposure. The FASB abandoned its earlier decision to require fair value measurement for most financial instruments. As a result, the final model will likely have more resemblance to the current model than we thought a year ago. However, the new model presents greater challenges for management because classification and measurement will not be a “decision” as much as a “determination” based on an asset’s characteristics and a company’s business strategy.
- ▶ The FASB is evaluating with what to do with its original hedging proposal now that the IASB model is virtually completed. Many US preparers seem to like the IASB’s “hedge accounting should parallel risk management” principle better. But the FASB knows that US users have major reservations with the IASB’s general hedging model and the FASB wants to perform outreach to tap into more users’ views.

The sections that follow illustrate how the FASB's proposal has changed and highlight certain differences with the IASB's model. The information focuses on areas that will truly affect your business. Regardless of the level of convergence that is ultimately achieved, change is coming and prudent companies should begin preparing today.

How has the FASB's classification and measurement model changed?

What began with the FASB's May 2010 exposure draft (ED) as primarily a fair value model has reverted to a three-category approach that maintains some resemblance to current US generally accepted accounting principles (GAAP) guidance. However, important differences exist and navigating those differences could be challenging. Understanding how they can affect your company will help you plan for the change that is coming.



What you need to know about the current status of the FASB's new classification and measurement proposal:

- ▶ Financial assets would be classified and measured in one of three categories based on their characteristics and on a company's business strategy:
 - ▶ Fair value through net income (FV-NI)
 - ▶ Fair value through other comprehensive income (FV-OCI)
 - ▶ Amortized cost
- ▶ The unconditional Fair Value Option (FVO) for financial assets and financial liabilities would be eliminated, although FV-NI could be elected in certain limited cases.
- ▶ Most equity securities not accounted for under the equity method of accounting would be measured at FV-NI. There would be a practicability exception for non-marketable equity securities held by non-public companies.
- ▶ Fair value would be parenthetically presented on the balance sheet for all financial instruments, except demand deposit liabilities, which are measured at amortized cost.
- ▶ No transfers between categories are permitted.

Most financial liabilities would be measured at amortized cost. In some cases, they would be required to be measured at FV-NI. There would be no FV-OCI category for financial liabilities.

The new model requires an entity to classify financial instruments based on first evaluating the characteristics of the financial instrument and then determining an entity's business strategy for managing those instruments.

Characteristics criteria and embedded derivatives

The characteristics criteria would be applied at the individual instrument level and would screen to see whether the financial instrument can qualify for something other than FV-NI measurement. To avoid FV-NI, the financial instrument would have to be a non-derivative debt instrument held or issued and involve an

amount transferred to the issuer at inception that will be returned to the investor at maturity or other settlement. In addition, the instrument cannot be contractually pre-paid or otherwise settled in such a way that the investor would not recover substantially all of its initial investment, other than through its own choice. Interest-only instruments are examples of assets likely to be classified in the FV-NI category.

In addition, hybrid financial instruments would continue to be subject to bifurcation, enabling the bifurcated feature to be used as a hedging instrument while also allowing a debt host contract to be eligible for FV-OCI or amortized cost.

Business strategy criteria

After evaluating the characteristics of each financial instrument, the financial asset would be classified as FV-NI, FV-OCI or amortized cost based on how an entity manages that financial instrument.

Amortized cost assets are strategically used in customer financing and lending activities focused on the collection of contractual cash flows from the borrower. FV-OCI assets are strategically used to maximize total return or manage interest rate or liquidity risk by collecting contractual cash flows or selling the assets, but are not held for sale at acquisition. FV-NI assets are held for sale at acquisition or actively managed and monitored internally on a fair value basis.

The ED originally would have required many financial liabilities to be measured at fair value. Reversing that course, the FASB decided that, after evaluating a financial liability for the same characteristics criterion as financial assets, all financial liabilities would be classified and measured at amortized cost except in certain business strategy circumstances (such as a short sale).

In a revision to the FASB's original ED, an entity would not be required to present the changes in the fair value of financial liabilities attributable to changes in "own credit" risk separately from other changes in fair value in the income statement.

Equity securities and the equity method

The FASB decided that nearly all investments in equity securities not accounted for under the equity method should be classified and measured at FV-NI (with a practicability exception for non-public companies). Qualifying for the equity method of accounting would be the same as under current US GAAP, but no fair value option would be permitted.

The road to convergence: what about IFRS?

The FASB still needs to re-deliberate several aspects of the classification and measurement model, including:

- ▶ Held-for-sale criteria for instruments measured at FV-NI
- ▶ Scope
- ▶ Disclosures
- ▶ Instruments redeemed only for a certain amount
- ▶ Effective date and transition

The IASB has committed to exposing the FASB's final decisions on classification and measurement to its constituents, and proposed the deferral of the adoption of its financial instruments model (IFRS 9, *Financial Instruments*) until January 2015. It is uncertain if the IASB would consider modifications. Fundamental differences between the IASB and FASB remain, such as the types of instruments permitted to be in the FV-OCI category (only debt securities in the FASB model and only equity securities in the IASB model), the recycling of FV changes from OCI to Net Income upon a sale (permitted by the FASB but not the IASB) and the bifurcation of embedded derivatives from hybrids (part of the FASB model but only for financial liabilities in the IASB's model).

How these changes may ultimately affect your company

For public companies, all **equity securities**, regardless of their marketability, would be moved into the FV-NI bucket, unless accounted for under the equity method of accounting. This change will require additional resources and skill sets in order to properly and timely assign fair value to the more illiquid investments.

Nearly all **debt securities** under the new model will be carried at FV-NI or FV-OCI. Many companies will need a more refined system to capture and manage all of the data needed to account for financial instruments at fair value under the proposed approach.

Classification would be based on an evaluation of an asset's characteristics and how it fits in a company's business strategy. Even though the result might be similar to the current intent-based model, companies will need to update the processes around classification and enhance the documentation of their analysis.

The loss of the fair value option for **equity method investments** may create operational challenges for affected companies due to the need for periodic impairment assessments and additional disclosures.

Changes that restrict the use of the **fair value option** may result in additional documentation requirements to support the limited instances in which a company may qualify to use it.

The parenthetical **fair value presentations** on the face of the balance sheets would need to follow the fair value measurements guidance. While this may not represent a major change from what is currently done for footnote presentation, companies will need to be prepared to answer questions from investors and regulators that arise from a more prominent presentation.

Joint impairment model: back to the drawing board?

With the “three bucket” impairment model suffering from “fuzzy” bucket distinctions, the Boards’ way forward may have to depend on an old fallback: disclosure, disclosure, disclosure.

Goldilocks had an easier time finding a model that was “just right”

The credit crisis convinced the Boards that a new impairment model would have to recognize losses sooner than the current “incurred loss” model does. Since November 2009 when the IASB ED first proposed an “expected loss” model to supplant the “incurred loss” model, constituents have responded with mixed feedback. The IASB and the FASB released follow-up proposals, but each iteration was criticized as either “too little, too late” or “too much, too soon.” In October 2011, the Boards realized an overly prescriptive approach to impairment would not foster consensus, and are focusing on yet another “reboot.”

The Boards’ most recent expected loss model would split loans and debt instruments not measured at FV-NI into “three buckets” based on their credit quality. The bucket categorization would reflect the severity of the deterioration in the credit quality of loans.

Under the approach, loans would be placed in Bucket 1 at origination or purchase and would migrate to the other buckets based on changes in the underlying credit quality or risk. The Boards are focusing on articulating an underlying principle and accompanying indicators (e.g., credit ratings, probabilities of default, delinquency

statistics) for when recognition of remaining lifetime expected losses becomes appropriate (i.e., when a loan would be transferred out of Bucket 1).

Impairments for Bucket 1 (measurement to be decided) would be determined at a portfolio level, similar to an “incurred, but not reported” concept. Impairments for Bucket 2 (measured as full lifetime expected losses) would also be determined at a portfolio level, but the deterioration would be more evident. Impairments for the most deteriorated bucket, Bucket 3 (measured as full lifetime expected losses), would be at the individual asset level.

The allowance for credit losses for each bucket would be calculated separately using all reasonable and supportable information available, including historical data, current economic conditions and supportable forecasts of future events and economic conditions.

Extensive disclosures would be required in order to provide comparability and uniformity across entities. In this regard, the Boards may leverage some of the FASB’s new disclosures on credit risk.

The Boards expect to reconvene on this issue in December 2011.

How these changes may ultimately affect your company

Under the current “incurred loss” model, companies are not focused on **impairment accounting** until a loss is probable. Although the Boards are still refining the definition of the “three bucket” model, the final model still will be based on an **“expected loss” approach**. The difficulty of an expected loss approach is in making it operational without slipping to an outright fair value model (which would supplant entity-specific expectations of losses with market participant expectations of losses). The expected loss principle is unfamiliar, particularly outside financial institutions, and the likely result is earlier **increases in provisions** and **additional volatility in earnings**. Data gathering for determining impairments

for financial assets not reported at fair value through net income may require new processes. Companies will need to re-tool or create new credit models and processes to determine which asset is in which bucket. Companies will also need to contemplate possible **impairments much earlier** than under the present model, based on **initial and ongoing expectations** about collectability. Many of the inputs for measuring impairments of financial instruments are **subjective and require significant management judgment**. As such, there will be an increased need for documentation of an entity’s assumptions, expectations and credit evaluations.

The IASB's hedge accounting model is complete. Is convergence possible?

The IASB has finalized deliberations on changes to its hedge accounting model that would dramatically relax the guidance limiting what types of hedge relationships would be allowed in hedge accounting. The FASB is still deciding where to go from here and whether to stick with their 2010 proposal.

What you need to know about the FASB's 2010 proposal:

- ▶ Qualifying for and maintaining hedge accounting would be easier:
 - ▶ Hedging relationships need only be "reasonably effective" rather than "highly effective" (current US GAAP)
 - ▶ Qualitative assessments of hedge effectiveness reaffirmed as permissible
 - ▶ Removal of mandatory quarterly assessments unless circumstances warrant such assessments
- ▶ Recognition in earnings of ineffectiveness from "underhedges" (i.e., when the fair value change of hedging instrument is less than the cumulative change of the hedged item) of cash flow hedges
- ▶ The shortcut method that allows certain interest rate hedges to be accounted for as if "perfect" would be eliminated
- ▶ The new model would prohibit the de-designation of otherwise well-functioning hedge relationships prior to their originally intended end date

Where is the FASB regarding hedge accounting?

During the past year, the FASB primarily focused on revising its classification and measurement model and working with the IASB on a joint impairment proposal. The hedge accounting part of the project took a backseat at the FASB just as the IASB revealed its separately developed hedging model at the end of 2010. In February 2011, the FASB made the unusual move of requesting feedback directly from its constituents on the IASB's hedging model, asking if the model would be workable in the US and if a convergence effort should start with the essentials of the FASB model or the IASB model. The response was mixed as to the best convergence starting

point. But in terms of preference, the reaction was clear: preparers liked many aspects of the IASB model while a prominent user (the CFA Institute) clearly did not. The Boards realized they needed to tap into a broader spectrum of user views and directed their staff to develop pointed and comprehensive outreach questions to help them better understand what information users are seeking regarding risks, risk management and the practice of hedging with derivatives. The FASB will not resume deliberations until 2012.

What elements of the IASB model are so attractive to preparers?

The IASB proposal focused on expanding what constitutes a hedging relationship to better match what companies said they do for risk management. Important elements of the model include:

- ▶ Re-balancing to continue hedge accounting when the "hedge ratio" set at the start of the relationship ceases to be effective but the risk management objective is still the same.
- ▶ Risk components of non-financial items can be designated as a hedged item if "separately identifiable and reliably measurable" (e.g., the crude oil benchmark "component" of jet fuel).
- ▶ Aggregated exposures (combinations of derivatives and non-derivatives) would be eligible as hedged items.
- ▶ Portions or layer components of a nominal amount within fair value hedges may be designated as a hedged item.
- ▶ Gross positions may be an eligible hedged item if managed on a group basis for risk management purposes and individual items in the group are eligible as hedged items.
- ▶ Discontinuation of hedge accounting when either the hedged instrument expires or risk management objectives are no longer met.

How these changes may ultimately affect your company

The updated FASB model on hedge accounting maintains the existing structure and framework of current US GAAP, such as the measurement of hedge ineffectiveness, the familiar presentation of hedge accounting in the income statement and balance sheet and the types of hedge relationships that are permitted. However, the FASB's proposal makes it **easier for companies to qualify and maintain hedge accounting** by easing requirements, such as relaxing "highly effective" to "reasonably effective," reaffirming the ability to use qualitative assessments of hedge effectiveness and removing mandatory quarterly assessments.

For instance, the new hedging model based on a "reasonably effective" standard would more easily accommodate hedges that have "basis" differentials (different locations, different dates, similar but non-identical underlyings). Under the new relaxed proposals, companies and their competitors that currently do not use hedge accounting may be motivated to consider **implementing a hedging program** as part of their risk management framework.

Despite some advantages of the new model, the FASB also included some new concepts that would make qualifying for hedge relationships more challenging. For instance, due to the **elimination of the shortcut method**, accounting for fair value hedges of fixed-rate debt would be more difficult, as the so-called "**long haul**" approach would be used to report ineffectiveness.

The IASB proposed preparer-friendly concepts in its model that the FASB is weighing against operational and practical application considerations. Preparers find the proposed ability to hedge risk components (such as the crude oil benchmark of jet fuel) particularly attractive. Regardless of the outcome of the FASB deliberations next year, companies that currently use or plan to use hedge accounting should consider and plan for the **impacts on internal controls, business processes, financial reporting, financial metrics and tax and operational strategies**.

What do the changes in the proposals mean for your company now?

Based on even the short accounting summary outlined above, any company that issues or owns debt, owns equity securities as investments, uses the fair value option or desires to apply hedge accounting can begin to see the pervasive impact the proposed financial instrument accounting model would have on their operations – effects that go well beyond just accounting. Some of these are discussed briefly below.

Classification and measurement and disclosures

Although the new model may not significantly change the classification of many types of instruments, the guidance would require active evaluation of every instrument in accordance with new definitions that may increase the amount of documentation required to support classifications. There is no “luxury” of a default category.

All financial instruments (other than demand deposits) measured at amortized cost will require a fair value measurement to be presented parenthetically on the face of the financial statements. If not doing so currently, companies will need to perform the fair value measurements in accordance with the “exit price” model of the recently converged fair value measurements standard. In addition, companies will need to be prepared to answer questions that may arise from the fair values being presented more prominently than in the footnotes.

Financial metrics

Increased income statement volatility is the common thread to the proposed accounting guidance for most equity securities owned by public companies (fair value through earnings with no exceptions) and for hedge accounting (for example, reporting ineffectiveness attributable to both underhedges and overhedges of cash flow hedge relationships reported in earnings). In addition, more debt security assets could be required to be accounted for at FV-NI than are in the trading category today. Financial measures driven by net income or earnings before interest, taxes, depreciation and amortization (EBITDA), or earnings per share, would be potentially more volatile, depending on the particular instruments the company owns or issues. Companies that base bonuses, share-based vesting provisions and other compensation plans on such measures may need to reassess these arrangements and adjust to what they would consider an appropriate performance measure.

Processes and internal controls and information technology (IT) systems

Upon adoption, some instruments may move between classification categories, requiring system data identification fields to be updated. The posting rules and charts of accounts will need to be updated for both accounting subledgers and the general ledger. The prospect of more financial instruments carried at fair value (e.g., equity investments) will require processes and internal controls over valuations to be honed or established for the first time. Companies would need to identify sources of data input necessary for valuation, addressing both interest rate and credit risk (and equity price risk for

convertible debt), and establish controls over that data gathering to ensure accuracy and consistency from period to period. New valuation methodologies and models may also need to be considered. Given that US GAAP and IFRS may not converge, companies that are required to file under both bases of GAAP should consider implementing parallel subledgers.

Similarly, a new process for determining impairments for any financial asset not reported at FV-NI will need to be established because companies are currently not focused on impairment accounting until a loss is probable. The new guidelines would require companies to contemplate possible impairment much earlier, based on initial and ongoing expectations about collectability. Companies will need to consider the criteria for bucketing loans into each of the three categories and the process for determining transfers between categories. Additionally, companies will need to consider re-using some of their current economic credit models for financial reporting or may need to create new credit models to calculate the lifetime of expected losses.

Many of the inputs for measuring impairments of financial instruments are subjective and require significant management judgment, as well as coordination of internal data inputs from accounting and treasury and external inputs from economists, rating agencies and other sources. There will be an increased need for documentation of an entity’s assumptions, expectations and credit evaluations. On the plus side, companies would no longer have to evaluate impairments on equity securities (unless accounted for under the equity method), since those securities would all be reported at FV-NI.

Entities with established hedging strategies may desire to establish new policies, processes and controls to implement the new proposals. Any decision to pursue hedge accounting for the first time would require new internal controls to assess that the appropriate initial hedge documentation is prepared contemporaneously and meets all requirements. Linking those processes with the company’s overriding risk management policy, often with the input of the Board of Directors or appropriate Board committee, is a leading practice.

Companies have long been required to disclose the fair value of the financial instruments addressed by this proposal. However, often a company’s IT systems for preparing information used primarily for footnote disclosures may be separate, less robust and more dependent on external or outsourced resources than those used for information that is reported on the face of the financial statements.

The fair value measurements standard under both US GAAP and IFRS was recently amended to apply to financial instruments whose fair values are “disclosure only.” Systems in place to address compliance with the fair value hierarchy (e.g., Level 1, 2 or 3) disclosures may need to be enhanced if they do not have sufficient depth to capture and manage all of the critical data needed to cover all of the instruments within the scope. While some companies may want to design their own IT systems to be compliant, others may decide to purchase or integrate vendor packages.

In any event, companies that are presently designing or upgrading financial systems, including accounting engines, accounting subledgers, general ledgers and data warehouses, should consider the financial instrument proposal's future data requirements as part of their current IT development efforts. Timely assessment of the proposal's impact on IT systems could reduce the risk of costly re-work and re-design later down the road.

Tax issues

The re-measurement of a financial instrument at fair value generally creates a temporary difference between the "book" basis and tax basis. The book basis reports unrealized gains and losses, but tax recognition generally is deferred until the instrument is sold. Unrealized losses could lead to the recognition of a deferred tax asset, which would have to be assessed for realizability. Unlike today, the new model would not allow a company to avoid a valuation allowance by merely demonstrating its intent and ability to hold the securities until maturity to allow the losses to reverse with the passage of time. Instead, a more traditional evaluation of the recovery of the deferred tax assets, contemplating sufficient taxable income of the appropriate character in either the carryback or carryforward period, would be necessary.

Under a new hedge accounting standard that would make hedge accounting easier to accomplish, companies may want to change formal book hedge designations or begin new book hedge accounting relationships. Many companies may overlook the fact that tax hedge designations do not follow book hedge designations, unless formally and deliberately linked for purposes of tax designation. A leading practice is for companies to pay just as much attention to their formal tax hedge designations as to their book hedge designations, or else find themselves with unfortunate tax treatments (such as non-deductible losses). Complicating this basic concept is that transactions that qualify as hedges for book purposes may not qualify as hedges for tax purposes and vice versa. Ordinarily however, book hedge designations and tax hedge designations should not be at cross-purposes, making book and tax advisor collaboration an ideal arrangement.

Assessing tax treatments early would help companies reduce tax exposures and develop the most advantageous tax strategies possible. Such strategies should also contemplate the tax consequences of any financial instrument modifications that might be pursued in order to achieve a particular classification and measurement result.

What can you do now? Early planning is critical to successful implementation and risk mitigation

A final standard is not expected to be effective for several years, and additional changes likely will arise as the Boards continue the erratic movement toward possible convergence. Companies should become knowledgeable of the requirements of the project from both the FASB and IASB point of view and consider them as they enter into any significant new transactions, especially those with subsidiaries in multiple jurisdictions or geographies using multiple reporting standards.

Gaining a better understanding of the proposal will help companies plan for an orderly and efficient transition to the new standard in a way that reduces financial reporting, tax, operational and business risks. Meanwhile, the FASB is continuing its outreach efforts and companies have more opportunities to get involved than ever before. Even though the IASB professes to be finished with classification and measurement and hedge accounting, pointed challenges from the FASB may result in certain so-called completed IASB provisions to be re-opened on a targeted basis.

For a more complete discussion of the technical accounting requirements of the proposal, refer to the following publications available through Ernst & Young's Accounting Link, www.ey.com/us/accountinglink:

- ▶ *To the Point, New credit impairment approach takes shape* (21 July 2011, SCORE number BB2161)
- ▶ *Technical Line, Hedge accounting: Is convergence possible?* (20 April 2011, SCORE number BB2125)
- ▶ *Technical Line, Financial instruments – a new classification and measurement model on the horizon* (14 July 2011, SCORE number BB2157)

Ernst & Young can bring its multidisciplinary team of accounting, tax, systems and IT professionals to your company to assist in assessing what the revised financial instrument proposals mean to you. In the chart below, we outline issues and steps you should consider related to the proposals and indicate how Ernst & Young may be able to help you from initial assessment through adoption.

Issues and steps	How Ernst & Young may be able to help
Gain a general understanding of the proposals	<ul style="list-style-type: none"> ▶ Design and deliver a training session for company personnel ▶ Share insights of the FASB, IASB and SEC's views ▶ Provide input into the company's comment letter on the revised proposals
Perform a preliminary assessment of the impact of the proposals on the company's financial statements	<ul style="list-style-type: none"> ▶ Advise and provide input into: ▶ Understanding the proposal's new requirements ▶ Gathering necessary scoping information and baseline data to develop and calculate detailed impact assessments ▶ Pro forma modeling of the financial statement impact of adopting the proposed standard, including scenario analysis under different future interest rate environments ▶ Assessing the impact on key financial ratios and performance measures ▶ Identifying shortfalls in available information to adopt the proposed standard ▶ Determining opportunities that arise from the proposals, including designing and advising on the implementation of accounting strategies that were not previously possible
Benchmark the company against peers and others in the industry	<ul style="list-style-type: none"> ▶ Provide observations of how others are approaching the proposal, problems they are identifying and solutions developed ▶ Assist in the evaluation of peers, competitors and industry disclosures and the expected impact on the financial statements
Assess processes for data collection, internal controls and IT systems	<ul style="list-style-type: none"> ▶ Provide observations and insights based on leading practices on ways the company could design its business processes, IT systems and internal controls ▶ Identify criteria to consider in selecting IT packages and advise on the selection process
Assess tax positions relating to the financial instrument proposals	<ul style="list-style-type: none"> ▶ Advise on analyzing tax positions arising from adopting the new proposals, reducing tax exposure and determining the tax effects of any financial instrument modifications
Plan for ultimate adoption of the proposed standards	<ul style="list-style-type: none"> ▶ Advise on project management and planning, including timeline, tasks and resource allocation
Update accounting manuals and accounting policies	<ul style="list-style-type: none"> ▶ Review and provide input into accounting manuals and policies selected by management
Communicate the effect of adoption to stakeholders: analysts, regulators and shareholders	<ul style="list-style-type: none"> ▶ Advise on developing a communication plan ▶ Advise on drafting communications

For more information, please contact:

Ken Marshall

Financial Accounting Advisory Services Leader – Americas
 +1 212 773 2279
 kenneth.marshall@ey.com

Robert Royall

Financial Accounting Advisory Services/Derivatives and Financial Instruments Leader – Americas
 +1 212 773 3667
 robert.royall@ey.com

Ernst & Young
 Assurance | Tax | Transactions | Advisory

© 2011 Ernst & Young LLP.
 All Rights Reserved.

BSC No. 1111-1304070

SCORE No. BB2205

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 152,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit www.ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

This publication has been carefully prepared but it necessarily contains information in summary form and is therefore intended for general guidance only; it is not intended to be a substitute for detailed research or the exercise of professional judgment. The information presented in this publication should not be construed as legal, tax, accounting, or any other professional advice or service. Ernst & Young LLP can accept no responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. You should consult with Ernst & Young LLP or other professional advisors familiar with your particular factual situation for advice concerning specific audit, tax or other matters before making any decision.