October 7, 2019

Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Via email: director@fasb.org

RE: File Reference No. 2019-720 Invitation to Comment: Identifiable Intangible Assets and Subsequent Accounting for Goodwill

Dear Chairman Golden:

BOK Financial Corporation ("BOKF") welcomes the opportunity to comment on the Invitation to Comment: Identifiable Intangible Assets and Subsequent Accounting for Goodwill ("ITC"). BOKF is a $40 billion, publicly owned, financial holding company headquartered in Tulsa, Oklahoma. We are both a financial statement issuer that reports to investors through filings with the Securities and Exchange Commission and federal banking regulators, and a financial statement user as we make credit and investment decisions. Comments in response to the ITC represent our perspectives in both roles.

Question 1: What is goodwill, or in your experience what does goodwill mainly represent?

The response to this question sets the framework for our responses to all of the subsequent questions. First, we do not believe that goodwill represents an asset. The definitions of an asset in both the current and proposed conceptual frameworks may be summarized as a current or present right to an economic benefit. These definitions are founded in the concepts that the rights and economic benefits are present or currently exists. Goodwill does not meet either of these concepts.

More accurately, goodwill represents the current opportunity to create a future economic benefit. That opportunity generally will only result in an asset through additional investment of financial or non-financial resources.

Although not one of the accounting models referenced in the ITC, we believe that initial recognition of goodwill as a deployment of capital best represents the economic substance of the premium paid in a business combination in excess of the net fair value of acquire assets, or a contribution of capital in the event of "negative goodwill". Recognition of goodwill directly through capital aligns with the views held by our investors and regulators, and by our lenders and asset managers, as they make decisions.
Although we strongly believe that direct recognition of goodwill through capital provides the best decision-useful information, our responses to the remaining questions are limited to the options proposed in the ITC.

Question 2: Do the benefits of the information provided in the current goodwill impairment model justify the cost of providing that information? Please explain why or why not in the context of costs and benefits.

We do not believe that the information provided justifies the costs. As previously noted, goodwill is largely ignored when making credit and investment decisions. Accordingly, any impairment is also largely ignored. Other factors, such as failure to meet performance metrics provide more timely and relevant information to financial statement users. In that context, the cost of the current goodwill impairment model far exceeds the benefits.

Question 3: On a cost-benefit basis, relative to the current impairment-only model, do you support (or oppose) goodwill amortization with impairment testing? Please explain why in your response.

We support goodwill amortization with impairment testing as the best choice among the options presented in the ITC. Based on our response to question 1, we believe that the life of the acquired opportunity to create a future economic benefit is rather short. The amortization period should reflect that reality which would largely negate the need for impairment testing beyond extreme circumstances.

Question 4: If the Board were to decide to amortize goodwill, which amortization period characteristics would you support? Please include all that apply in your response and explain why you did not select certain characteristics.

- a. Default period
- b. A cap (or maximum) on the amortization period
- c. A floor (or minimum) on the amortization period
- d. Justification for an alternative amortization period other than a default period
- e. Amortization based on the useful live of the primary identifiable asset(s) acquired
- f. Amortization based on the weighted-average useful lives of identifiable asset(s) acquired
- g. Management’s reasonable estimate (based on expected synergies or cash flows as a result of the business combination, the useful life of acquired processes, or other management judgements).

We believe that a derivation of option 4.g. is the most appropriate method for determining the amortization period. Management has the best understanding of how the initial purchase price was determined and what factors influenced their decision to pay a premium in excess of the fair value of net assets. It also has the best understanding of the period during which that opportunity to create a future economic benefit either will or will not be realized. Those understandings should form the basis for establishing the amortization period. We did not select the other alternatives because they are not principles-based and set arbitrary limitations (a. – d.), and do not relate to the definition of goodwill established in Question 1 (e. – f.).
Question 5: Do your views on amortization versus impairment of goodwill depend on the amortization method and / or period? Please indicate yes or no and explain.

Our views are more influenced by our definition of what goodwill represents. Based on that definition, amortization methods and periods would be primarily based on the resulting future economic benefits, if any. Impairment measurement would only be necessary when management determines that the potential benefits will not be realized.

Question 6: Regarding the goodwill amortization period, would equity investors receive decision-useful information when an entity justifies an amortization period other than a default period? If so, does the benefit of this information justify the cost (whether operational or other types of costs)? Please explain.

As introduced in our response to Question 4, we believe that the amortization period should relate to management’s understanding of the expected benefits of paying a premium above the net fair value of acquired assets. Providing that information to investors through explanatory disclosures of the amortization period selected would provide investors with decision-useful information.

Question 7: Do the amendments in Update 2017-04 (eliminating Step 2 of the goodwill impairment test) reduce the cost to perform the goodwill impairment test? Do the amendments in Update 2017-04 reduce the usefulness of financial reporting information for users? Please explain.

Elimination of Step 2 reduces the cost to perform impairment testing but does not reduce usefulness of financial reporting information for users.

Question 8: Do the amendments in Update 2011-08 (qualitative screening) reduce the cost to perform the goodwill impairment test? Do the amendments in Update 2011-08 reduce the usefulness of financial reporting information for users? Please explain and describe any improvements you would recommend to the qualitative screen.

The qualitative screening provision has reduced the cost to perform goodwill impairment tests. Please see our response to questions 9 and 10 for improvements.

Question 9: Relative to the current impairment model, how much do you support (or oppose) removing the requirement to assess goodwill (qualitatively or quantitatively) for impairment at least annually? Please explain why in your response.

Requiring the impairment test to only be performed if a triggering event has occurred will reduce compliance costs without reducing the usefulness of information. Combined with our response to Question 4 regarding amortization period, the triggering event(s) would align with management’s initial expectation that future economic benefits would be realized.
Question 10: Relative to the current impairment model, how much do you support (or oppose) providing an option to test goodwill at the entity level (or at a level other than the reporting unit)? Please explain why in your response.

Relative to the current impairment model, we support the option to initially test goodwill at the entity level. Further testing at a reporting unit or more granular level would only be necessary if other information indicates that the expected future economic benefits will not be realized.

Question 11: What other changes to the impairment test could the Board consider? Please be as specific as possible.

We believe that adoption of the amortization methodology described in our response to Questions 4 and 5 would provide a stronger conceptual accounting framework for goodwill, assuming that our response to Question 1 is not adopted.

Question 12: The possible approaches to subsequent accounting for goodwill include (a) an impairment-only model, (b) an amortization model combined with an impairment test, or (c) an amortization-only model. In addition, the impairment test employed in alternative (a) or (b) could be simplified or retained as is. Please indicate whether you support the following alternatives by answering “yes” or “no” to the questions in the table below. Please explain your response.

<table>
<thead>
<tr>
<th>Do you support the indicated model</th>
<th>Do you support allowing testing at the entity level or a level other than reporting unit</th>
<th>Do you support allowing testing only upon a triggering event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment only</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Amortization with Impairment</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Amortization only</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

Please see our responses to Questions 4, 5 and 11 for explanations.

Question 13: Please describe what, if any cost savings would be achieved if certain recognized intangible assets (for example, non-compete agreements or certain customer-related intangible assets) were subsumed into goodwill and amortized. Please be as specific as possible. For example, include specific purchase price allocation or subsequent accounting cost savings. Please list any additional intangible items the Board should consider subsuming into goodwill.

Valuation of each identifiable asset requires time and resources, and subsuming all into goodwill would result in cost savings. However, as noted in our response to Question 14 we do not support this option.
**Question 14:** Please describe what, if any, decision-useful information would be lost if certain recognized intangible assets (for example, non-compete agreements or certain customer-related intangible assets, or other items) were subsumed into goodwill and amortized. Please be as specific as possible. For example, include specific analysis you perform that no longer would be possible.

Decision-useful information regarding the relationship between revenue and the cost to acquire purchased revenue streams identified in a business combination would be lost. For example, many fee generating business lines do not depend on “on-balance sheet” assets. A portion of the purchase price is allocated to an identifiable intangible asset to appropriate measure performance after the acquisition date.

**Question 15:** How reliable is the measurement of certain recognized intangible assets (for example, non-compete agreements or certain customer-related intangible assets)?

Measurement of certain recognized intangible assets is not significantly more or less reliable than any other Level 3 fair value measurements.

**Question 16:** To gauge market activity, are you aware of instances in which any recognized intangible assets are sold outside of a business acquisition? If so, how often does this occur? Please explain.

Core deposit intangible assets are transferred as part of deposit account sales and mortgage servicing rights (an intangible asset according to regulatory definitions) are sold.

**Question 17:** Of the possible approaches presented, which would you support on a cost-benefit basis? Please rank the approaches (1 representing your most preferred approach) and explain why you may not have selected certain approaches.

- **a.** Approach 1: Extend the Private Company Alternative to Subsume Certain CRIs and all NCAs into goodwill
- **b.** Approach 2: Apply a principles-based criterion to intangible assets
- **c.** Approach 3: Subsume all intangible assets into goodwill
- **d.** Approach 4: Do not amend the exiting guidance

We support Approach 2. Each identifiable intangible asset has unique characteristics and expected lives. Each were either explicitly or implicitly considered when the purchase price was negotiated. Although there are costs and challenges associated with initial measurement, recognition of their unique characteristics provide decision-useful information.

**Question 18:** As it relates to Approach 2 (a principles-based criterion), please comment on the operability of recognizing intangible assets based, in part, on assessing whether the meet the asset definition.

We believe that a change in the criteria for recognizing an identifiable intangible asset would provide additional decision-useful information. Currently, the criteria are primarily legalistic and depend on either a contractual relationship or the ability to separately transfer the asset. We believe that criteria
based on economic substance, measurement of costs necessary either directly or indirectly, to support an acquired revenue stream, would result in more identifiable intangible asset being recognized and better alignment between revenue and costs.

**Question 19:** Approaches 1 – 3 assume that subsuming additional items into goodwill would necessitate the amortization of goodwill. Do you agree or disagree? Please explain why.

We agree that Approaches 1 – 3 necessitates goodwill amortization. As previously noted, to the extent goodwill represents an asset, amortization of the asset is appropriate.

**Question 20:** What is your assessment of the incremental costs and benefits of disclosing the facts and circumstances that led to impairment testing that have not led to a goodwill impairment loss?

There are many financial and operational performance factors that indicate a goodwill impairment test may be necessary. These factors generally occur and are disclosed well before any goodwill testing is performed. From that perspective, the costs of impairment testing far outweigh the benefits. The impairment testing merely confirms information previously disclosed.

**Question 21:** What other, operable ideas about new or enhanced disclosures would you suggest the Board consider related to goodwill?

Consistent with our responses to Questions 4 – 6 disclosures about what goodwill represents in the eyes of management and how those views relate to amortization periods would enhance information provided to financial statement users.

**Question 22:** What is your assessment of the incremental costs and benefits of disclosing quantitative and qualitative information about the agreements underpinning material intangible items in (a) the period of the acquisition and (b) any changes to those agreements for several years post-acquisition? Please explain.

To the extent intangible assets are material to the revenue and operations of the business, disclosures about the nature of operations and material risks would be appropriate.

**Question 23:** Are there other changes (deletions and / or additions) to the current disclosure requirements for goodwill or intangible items that the Board should consider? Please be as specific as possible and explain why.

Currently we are not aware of other changes to recommend.

**Question 24:** Under current GAAP, to what extent does non-comparability in the accounting for goodwill and certain recognized intangible assets between PBEs and private business entities and not-for-profit entities reduce the usefulness of financial reporting information. Please explain your response.

As noted in our response to Question 1, non-comparability resulting from differences in accounting for goodwill is resolved by our investors and regulators, and our lenders and asset managers by using non-
GAAP measures that directly “write-off” goodwill against capital. Goodwill is not considered an asset for decision-making purposes.

**Question 25:** Please describe the implications on costs and benefits of providing PBEs with an option on how to account for goodwill and intangible assets and the option for the method and frequency of impairment testing (described previously in Sections 1 and 2)?

We generally do not support providing optional accounting standards based on the ownership structure or size of the reporting entity. Rather, we support principles-based accounting standards that provide flexibility in the design and operations of policies and procedures that meet those principles. In context of goodwill and intangible assets, those principles would require separate recognition of material identifiable intangible assets to the extent they directly or indirectly support acquired revenue streams, amortization of goodwill over a period determined by management that aligns with decisions to pay a premium in excess of the net fair value of acquired assets, and an impairment test when conditions indicate that expected future economic benefits will not be realized. We believe this principles-based framework strikes an appropriate balance between costs and benefits.

**Question 26:** To what extent does non-comparability in the accounting for goodwill and certain recognized intangible assets between PBEs reporting under GAAP and PBEs reporting under IFRS reduce the usefulness of financial reporting information? Please explain your response.

See our response to Question 24.

**Question 27:** Please indicate the sources of comparability that are most important to you regarding goodwill and intangible assets. Please select all that apply and explain why comparability is not important to you in certain places.

a. Comparability among all entities reporting under GAAP (one requirement for PBEs, private business entities, and not-for-profit entities)
b. Comparability among all PBEs reporting under GAAP
c. Comparability among all private business entities and all not-for-profit entities reporting under GAAP
d. Comparability among all PBEs reporting under GAAP and PBEs reporting under IFRS

While comparability among all reporting entities is desired, the ability to forecast future earnings and cash flows is of primary importance. Goodwill and related amortization and/or impairment is largely ignored from decision-making. It represents capital that has already been deployed in expectation of creating a future economic benefit. Amortization of identifiable intangible assets is considered as the costs incurred to purchase an existing revenue stream.

**Question 28:** Do you have any comments regarding Other Topics for Consideration Section or other general comments?

Although specifically excluded from the scope of this ITC, we urge the Board to consider the broader discussion of whether or not goodwill is an asset. While our views are largely influenced by our role as a financial statement issuer, we believe they are equally applicable to our role as lender and investor.
Recognition of goodwill as a deployment of capital with the expectation of creating a future economic benefit more appropriate presents the economic substance of the business acquisition and provides decision-useful information across a broad range of reporting entities.

Question 29: Would you be interested and able to participate in the roundtable?
BOK Financial would appreciate the opportunity to participate in the roundtable.

Thank you for considering our comments. If you need additional information or have questions, please contact me at jmorrow@bokf.com or 918-588-8673.

Sincerely,

John C. Morrow
Senior Vice President, Chief Accounting Officer
BOK Financial Corporation