



LETTER OF COMMENT NO. 83

Via email: director@fasb.org

Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Proposed FSP on Statement 115, Statement 124 and EITF Issue 99-20
File Reference: Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b

Dear Mr. Golden:

We appreciate the opportunity to comment on the above referenced proposed Financial Accounting Standards Board (FASB) Staff Position, *Recognition and Presentation of Other-Than-Temporary Impairments*. BOK Financial Corporation is a \$23 billion regional financial services company based in Tulsa, Oklahoma. We support your efforts to reevaluate the accounting and disclosure requirements for other-than-temporary impairment ("OTTI").

We agree with the position taken within the exposure draft to bifurcate OTTI for debt instruments between a credit loss portion to be recorded through earnings and a non-credit loss portion to be recorded through other comprehensive income ("OCI"). The current accounting guidance that requires full recognition of OTTI in earnings appears based on short-term views and ignores potentially distortive effects on net income in future periods. We believe that this exposure draft addresses this concern and more fairly balances the information needs of all financial statement users, including traders, purchase-to-hold investors, and regulators. Separate presentation of the portion of impairment related to changes in the underlying cash flow will lead to better informed investment decisions.

Additionally, we believe the proposed guidance more appropriately aligns the accounting for loans under FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan*, and debt securities. These instruments share many underlying characteristics, especially when the debt securities represent pools of loans.

The proposed guidance also maintains the integrity of a critical financial institution metric, net interest margin, by not unnecessarily impacting the yield on debt securities in future periods by impairment charges recognized in the current period. Current practice, as prescribed in FASB Emerging Issue Task Force Issue No. 99-20, *Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets*, as amended will distort this key measure of performance for many years. We feel that the proposed changes will enhance an investor's ongoing ability to evaluate financial institutions based on this critical metric.

We recognize value in application of this FSP as it relates to debt instruments due to the ability to reasonably estimate the underlying cash flows of these instruments. However, we do not see this model as applicable or operational for equity instruments and believe it would be most appropriate to remove these instruments from the scope of the FSP. Current guidance that requires a positive intent and ability to hold an impaired security until fair value recovers is workable for equity securities. The time periods for making these assertions are relatively short, generally six to 24 months depending on the instrument, which covers most normal forecasting periods. We also question the reliability of any method of estimating the credit loss portion of impairment of equity securities.

Following is our detailed responses to FASB's specific questions in the proposed FSP:

1. This proposed FSP would require entities to separate (and present separately on the statement of earnings or "performance indicator") an other-than-temporary impairment of a debt security into two components when there are credit losses associated with an impaired debt security for which management asserts that it does not have the intent to sell the security and it is more likely than not that it will not have to sell the security before recovery of its cost basis. The two components would be (a) the credit component and (b) the noncredit component (residual related to other factors). Does this separate presentation provide decision-useful information?

Yes. As it relates to debt instruments, we believe such information is decision-useful information to all financial statement users. Bifurcation between OTTI due to a change in the underlying cash flow (credit component) and other factors allows users to make their own informed decision based on the risk they are willing to undertake.

2. This proposed FSP would require that the credit component of the other-than-temporary impairment of a debt security be determined by the reporting entity using its best estimate of the amount of the impairment that relates to an increase in the credit risk associated with the specific instrument. One way of estimating that amount would be to consider the measurement methodology described in paragraphs 12-16 of FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan*. For debt securities that are beneficial interests in securitized financial assets within the scope of Issue 99-20, the amount of the total impairment related to credit losses would be determined considering the guidance in paragraph 12(b) of Issue 99-20. Do you believe this guidance is clear and operational? Do you agree with the requirement to recognize the credit component of an other-than-temporary impairment in income and the remaining portion in other comprehensive income? Under what circumstances should the remaining portion be recognized in earnings?

We do believe that such guidance is clear and operational. We agree with the requirement to recognize the credit component of OTTI in income with the remaining portion to OCI. While we recognize that the suggested method of measuring credit loss has limitations, we believe it is a more accurate measurement of loss that will ultimately affect earnings. We also agree with the requirement to recognize the remaining portion of the impairment in other comprehensive income. This presentation is necessary to maintain the

conceptual objective that recognizes financial instruments at fair value, which we fully support. We believe that it is appropriate to recognize the full impairment amount in earnings when an entity has the intent to sell or it is more likely than not that it will have to sell the security before recovery of its cost basis.

3. This proposed FSP modifies the current indicator that, to avoid considering an impairment to be other than temporary, management must assert that it has both the intent and the ability to hold an impaired security for a period of time sufficient to allow for any anticipated recovery in fair value. The Board believes that, compared to current requirements, it is more operational for management to assert that (a) it does not have the intent to sell the security and (b) it is more likely than not that it will not have to sell the security before its recovery. Does this modification make this aspect of the other-than-temporary impairment assessment more operational (the remaining factors discussed in FSP FAS 115-1/FAS 124-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*, would remain unchanged)? Should this modification apply to both debt and equity securities? Will this change result in a significant change to the assessment of whether an equity security is other-than-temporarily impaired?

We agree that this modification is more operational with respect to debt securities. However, we do not believe application of this concept is operational for equity securities. As we previously stated, the time horizon for asserting intent and ability to hold equity securities is sufficiently short. Also, we expect it will be challenging to isolate the credit component from other factors in valuing the securities. Accordingly, we encourage that equity securities be scoped out of the proposed FSP.

4. This proposed FSP would require that the portion of an impairment recognized in other comprehensive income for held-to-maturity securities be amortized (through other comprehensive income) over the remaining life of the debt security in a prospective manner based on the amount and timing of future estimated cash flows by offsetting the recorded value of the asset (that is, an entity would not be permitted to adjust the fair value of a held-to-maturity security for subsequent recoveries in the fair value of the security similar to the accounting for available-for-sale securities). Do you agree with this requirement?

Yes, we agree with this requirement.

5. Is the proposed effective date of interim and annual periods after March 15, 2009, operational?

We do believe that an effective date of interim and annual periods after March 15, 2009 is operational and will serve to provide more reliable information for investment decisions, rather than delaying the effective further. In the event that such effective date is delayed, we think that an option to early adopt should be allowed.

We would be pleased to discuss our comments with the Board members or the FASB staff as needed.

Sincerely,

/s/ John C. Morrow

John C. Morrow
Senior Vice President and
Chief Accounting Officer