JPMORGAN CHASE & CO.

Bret Dooley
Managing Director
Corporate Accounting Policies

January 22, 2016

Ms. Susan M. Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Proposed Accounting Standard Update – Business Combinations Topic 805 Clarifying the Definition of a Business (the "ED" or the "Framework")

Dear Ms. Cosper:

JPMorgan Chase & Co ("JPMorgan Chase" or "the Firm") appreciates the opportunity to comment on the *Business Combinations Topic 805 – Clarifying the Definition of a Business* Exposure Draft issued by the Financial Accounting Standards Board ("FASB" or the "Board"). JPMorgan Chase supports the FASB's efforts to reduce the differences between the accounting for a business combination and an asset acquisition and to clarify the definition of a business. Our comments are focused on the ED's guidance regarding whether an acquisition or a disposal constitutes an asset or a business.

While we generally support a narrower framework for determining what constitutes a business, we are concerned that the framework may lead to unintended consequences by excluding transactions that transfer both a narrow set of assets and an organized workforce from being considered business combinations.

The Appendix provides the Firm's responses to the FASB's relevant Questions for Respondents and explains our questions/concerns in more details.

We appreciate the opportunity to submit our views. We would be pleased to discuss our comments with you at your convenience, and to participate in a working group if one is established.

Sincerely yours,

Bret Dooley

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Appendix – Responses to Questions for Respondents

Question 1: Do you agree that to be a business a set of assets and activities must include, at a minimum, an input and a substantive process that together contribute to the ability to create outputs? If not, what other alternatives would you suggest?

We agree that to be a business, a set of assets and activities (collectively "a set") must include, at a minimum, an input and a substantive process that together contribute to the ability to create output. However, the "single or similar asset threshold" seems to contradict this principle, which may result in disparate outcomes solely based on the nature of the inputs. Please see response to question 6.

Question 6: Paragraphs 805-10-55-9A through 55-9C specify that if substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset, the set is not a business. Is it appropriate to include such a threshold, and would it be operable? If not, why?

Although we generally agree with the Board's intent to provide a practical way to determine when a set is a business, we do not agree that the application of the threshold is appropriate when a set includes an organized workforce. For instance, in the financial services industry, it is common for an acquisition or a disposal to consist of 1) a loan portfolio and key employees who will continue to manage the credit risk and cash flows from the existing portfolio, as well as originate new assets for the portfolio or 2) an investment portfolio and a fund manager who will manage the existing and future investments. Because there is very little value assigned to the organized workforce (i.e., the value of an organized workforce is typically subsumed within goodwill in a business combination and it may not be significant), substantially all of the fair value of the gross assets acquired would be allocated to the loan portfolio or the investments. Applying the threshold in these circumstances would lead to the conclusion that such a transaction is an asset acquisition or disposal; however, the organized workforce on its own would be considered a substantive process as the employees are critical in generating revenue from the assets acquired as well as ongoing business activity. Given the existence of an input (i.e., the investments or the loan portfolios) and a substantive process (the key employees that will drive the continuation of the revenue stream), the application of the threshold would seem to violate the core principle that a business has an input and a substantive process which, together contribute to the ability to create outputs.

Moreover, we do not think that the threshold would provide a practical way to determine when a set is a business with regards to divestitures. The threshold may essentially require sellers to perform a quantitative fair value calculation for the gross assets to be disposed. Although such a quantitative analysis is typically performed in the case of an acquisition and the Board does not expect that such an analysis would result in incremental costs or complexity, as noted in paragraph BC36, it is not typical to perform a fair value calculation for each asset in the case of a divestiture. Hence, in the case of a divestiture, this would result in incremental costs or complexity.

In addition, if a business is inappropriately categorized as an asset, the resulting financial reporting could be misleading when the transaction is priced at a premium. If a transaction is required to be accounted for as an asset acquisition, all consideration paid would be required to be allocated to individual tangible and intangible assets, thus increasing the risk of an immediate impairment charge if those asset values are overstated due to the forced allocation. In a disposal, goodwill would not be

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allocated to the disposal group and the goodwill that remains may not be representative of the remaining business activities in the reporting unit.

As an alternative to the fair value threshold, we recommend that the Board: 1) clarify that such threshold should not be applied for situations in which an organized workforce (either employees or through a contracted outsourcing arrangement) is part of the acquisition or disposition or 2) use the fair value threshold as an indicator, as opposed to a required criterion in applying the framework.

In addition, we believe it would be helpful to explicitly state what type of assets should be included in the gross assets acquired threshold assessment and how certain similar assets should be grouped for such assessment. For example, it is not clear whether goodwill should be included in the calculation of the gross assets acquired.

Finally, because tax attributes are measured based on ASC 740, which is not a fair value measurement, it is unclear as to whether and how the fair value threshold should be applied (if at all) to tax attributes (e.g., net operating loss carryforwards) when such attributes are part of an acquisition or a disposal.

Question 9: How much time would be necessary to adopt the amendments in this proposed Update? Should early adoption be permitted? Would the amount of time needed to apply the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities?

Given prospective transition, we do not anticipate that a significant amount of time would be needed to implement the amendments in this proposed update to the extent the Board clarifies the Framework as discussed above. We are not opposed to permitting early adoption.

Question 10: Do you agree that the amendments in this proposed Update should be applied prospectively to any transaction that occurs on or after the date of adoption, and do you agree that there should be no explicit transition disclosure requirements? Why or why not?

We agree that the amendments in this proposed Update should be applied prospectively to transactions that occur on or after the date of the adoption and we agree that no explicit transition disclosure requirements are needed. We believe that looking back to past transactions and making allocations of fair value in hindsight would require significant effort and costs that are not justified by the potential benefit.