WELLS FARGO

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Via email

Russell G. Golden, Chairman
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Re: File Reference No. 2016-230: Proposed Accounting Standards Update, Intangibles – Goodwill and Other (Topic 350) Simplifying the Accounting for Goodwill Impairment

Dear Mr. Golden:

Wells Fargo & Company (Wells Fargo) is a diversified financial services company with over $1.8 trillion in assets providing banking, insurance, investments, mortgage, and commercial and consumer finance services. We appreciate the opportunity to comment on the FASB's Proposed Accounting Standards Update: *Intangibles – Goodwill and Other (Topic 350) Simplifying the Accounting for Goodwill Impairment* ("The Proposal").

We support the Board's efforts to reduce the complexity and cost of the current goodwill impairment test and believe the proposal would achieve that objective. Although the Board has recently improved the impairment testing process, including the addition of the qualitative test, financial statement preparers continue to spend significant amounts of time supporting the qualitative considerations and when applicable, calculating estimates of fair value for reporting units. Moreover, in the financial services industry, goodwill is less relevant and is typically disregarded by financial statement users as it is excluded from regulatory capital. Accordingly, the goodwill impairment process is largely a theoretical exercise. For these reasons, we would be supportive of a direct write-off of goodwill to equity to align with our regulatory capital treatment. We acknowledge other industries may not find that alternative acceptable and thus would support retaining the existing model as adjusted for the Step 2 simplifications suggested below. We encourage the Board to thoroughly consider the available alternatives and implications in the later phase of the project.

With regard to the Proposal, we understand the benefits of removing Step 2 of the current goodwill impairment test as it would eliminate the need to determine the fair values of the individual assets and liabilities of a reporting unit at the impairment testing date. However, we believe that the elimination of this step may result in goodwill impairment when the actual impairment is related to other assets of the reporting unit. This situation can occur when the impairment model for individual assets is not based on fair value. For example, a significant portion of a financial institution's assets are comprised of loans held for investment which are measured at amortized cost net of an allowance for credit losses. If the fair value of the loan portfolio declines due to changes in interest rates or other factors, the carrying value of the loan portfolio would exceed its fair value. The proposed simplification of the goodwill impairment model would incorrectly characterize the decline in fair value of the reporting unit's loan portfolio, which would not require financial statement recognition, as an impairment of goodwill.

To avoid the outcome of impairing goodwill in all situations, we recommend the Board permit the application of Step 2 based on a qualitative assessment of whether the reduction in the fair value of the reporting unit is due to factors other than the impairment of goodwill. If the reduction in fair value is expected to be related to assets other than goodwill, Step 2 would be performed to confirm the qualitative assessment and determine the extent of impairment to goodwill, if any. We recommend that the Board permit application of the proposed guidance, including our suggested alternative, at the reporting unit level versus the entity level to allow for application based on relevant facts and circumstances. In addition, we recommend prospective application of the proposed guidance.

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We appreciate the opportunity to comment on the Proposal and are willing to work with the FASB as you proceed with further deliberations on the topic. If you have any questions, please contact me at 415-222-3119 or Mario Mastrantoni at 704-383-9678.

Sincerely,

/s/ Richard D. Levy

Richard D. Levy
Executive Vice President & Controller