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**May 30, 2025**

***Submitted electronically to: director@fasb.org***

Mr. Jackson M. Day
Technical Director
Financial Accounting Standards Board
801 Main Avenue
P.O. Box 5116
Norwalk, CT, 06820

## Re: File Reference No. 2024-ITC200

Dear Mr. Day,

The Securities Industry and Financial Markets Association ("SIFMA") appreciates the opportunity to comment on the Invitation to Comment— *Recognition of Intangibles* (the "ITC"). SIFMA supports the Financial Accounting Standards Board's (the "FASB" or "Board") efforts to solicit stakeholder feedback on its future standard setting agenda, including on whether the Board should pursue standard setting on intangibles, whether recognized as assets in the financial statements, or not recognized as assets. Our comments on intangibles exclude software, in light of the final ASU to be issued later this year on this topic.

SIFMA believes there is not a pervasive need to improve GAAP related to the accounting for or disclosure of intangibles. The current model is well understood, and the potential changes to the model would not represent an improvement to the usefulness of the financial reporting for intangibles. Further, recognizing internally generated intangibles would require additional complex judgments and result in Level 3 valuations that would likely be of limited benefit to users of financial statements.

[1] SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's one million employees, we advocate on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

Attached please find an appendix that includes SIFMA's responses to the Questions for Respondents. Questions not relevant to SIFMA members are excluded.

Thank you for the opportunity to comment. Should you have any questions or require further information concerning any of the matters discussed in this letter, please do not hesitate to contact the undersigned.

Sincerely,

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**Chair, SIFMA Accounting Committee**
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**Deputy General Counsel**
**SIFMA**

**Appendix – Responses to Questions**

## Appendix – Responses to Questions

***Question 2: Is there is a pervasive need to improve GAAP related to the accounting for and disclosure of intangibles (that is, is there a case for change)? Please explain your response.***

*Response*: SIFMA believes that there is not a pervasive need to improve GAAP related to the accounting for or disclosure of intangibles. The current model is well understood, including for the intangible assets most common in financial services acquisitions such as core deposit intangibles, purchased credit card relationships, customer relationships and internal-use software. Potential changes to the model, including alignment of recognition guidance across all intangible assets, would not represent an improvement to the usefulness of the financial reporting for intangibles. Further, recognizing internally generated intangibles other than software would require additional complex judgments including valuations using unobservable inputs. Accordingly, SIFMA recommends that the FASB not pursue a project on intangibles. SIFMA plans to respond to Invitation to Comment— *Agenda Consultation* and provide feedback on the standard setting priorities of our securities industry preparer members.

***Question 3: If the Board were to pursue a project on intangibles, how should the Board address the topic? For each type of intangible, or groups of intangibles, that should be separately addressed, please explain your response, including the following:***

- ***A description of the type(s) of intangible or groups of intangibles (including an explanation of why those intangibles should be addressed in a group).***
- ***The objective of the potential project.***
- ***The potential solution(s).***
- ***The type(s) of intangibles, or groups of intangibles, the potential solution should apply to. For example, whether it is a narrow potential solution for a specific intangible item or a potential solution that could broadly apply to a group of intangible items.***
- ***The expected benefits and expected costs of the potential solution(s).***

*Response*: Please see our response to Question 2

***Question 7: Should the Board consider recognizing other internally developed intangibles when either (a) management has committed to funding the project and it is probable that the project will be completed and will perform the function intended or (b) technological feasibility has been established? If so, for which intangibles? Would this result in decision-useful information? Would these criteria also be helpful in determining whether an intangible should be recognized as an asset or expensed when acquired in a business combination or in an asset acquisition? Please explain your response.***

*Response*: The internal development of financial services intangible assets does not resemble the process described in Question 7, and those recognition triggers would add complexity without providing decision-useful information. Similarly, the criteria above are not generally relevant to the major types of financial services intangible assets (see the response to Question 2) acquired in either business combinations or asset acquisitions. SIFMA recommends not commencing a recognition project using these criteria.

***Question 8: Should the Board consider aligning the recognition guidance for intangibles (a) acquired as part of a business combination, (b) acquired in an asset acquisition, (c) that are internally developed, or (d) newly developed criteria? If so, how should the guidance be aligned? Should the recognition guidance be aligned for all intangibles, including those with specific industry based guidance, or only certain categories? Would such an alignment result in decision-useful information? Please explain your response. If a new model is recommended, please provide details on that model, including how it would be an improvement to current GAAP and achieve consistent recognition of intangibles.***

*Response*: SIFMA believes the Board should not pursue an alignment of the recognition guidance for intangibles that are acquired and internally developed, respectively. The current recognition guidance is well understood, and the current disclosure requirements provide users of financial statements the information necessary to assess comparability between companies that grow organically versus through acquisitions. In short, the current guidance results in a model that is as useful and as simple as possible for a category of assets of such breadth and complexity as the financial services-related intangibles discussed in the response to Question 2. Given the different types of intangible assets and the different ways of creating them, SIFMA considers the current guidance to already be as aligned as possible.

Although SIFMA does not recommend pursuing an overall project related to intangibles, the Board could consider a very narrow project to align the accounting for certain direct acquisition-related costs (e.g., legal, advisory, valuation and other professional or consulting fees) of intangibles acquired in asset acquisitions to be consistent with the accounting for direct costs in a business combination (i.e., expense as incurred). SIFMA believes this minor/targeted change would improve the consistency for amounts recognized for intangible assets, whether acquired separately or as part of a business combination. Regardless, such a narrow project would be a low priority.

***Question 9: Practitioners and preparers—Are there operability or auditability challenges in applying the acquired intangibles recognition guidance? Please explain your response, including what the specific challenges are and how the Board could address them.***

*Response*: SIFMA recognizes that the application of acquired intangibles recognition guidance can be complex. For example, the identification of software intangibles, customer relationship intangibles, and the valuation of many types of intangibles is judgmental, often requiring the advice of experienced experts, whether internal or external. However, SIFMA does not believe that standard setting can reduce this complexity but could create additional complexity or replace one type of complexity with another.

***Question 11: If the Board does not pursue a project to align the recognition guidance for all intangibles, the Board could pursue a project to develop comprehensive guidance for the recognition of internally developed intangibles based on the current business combinations or asset acquisitions guidance. Would it be operable to leverage either the separability criterion or the contractual-legal criterion from the business combinations guidance or the asset acquisitions recognition criteria to recognize internally developed intangibles? Would this result in decision-useful information? Please explain your response.***

*Response*: No, SIFMA does not believe that the Board should consider recognizing internally developed intangibles. It is unclear what should trigger recognition of internally developed intangibles, what should determine the scope of the intangibles that should be included, and how they should be valued. In addition, it is possible that users of financial statements may seek to evaluate financial performance excluding management estimates of intangible asset value or amortization amounts, and therefore introduce additional non-GAAP measures. Finally, recognition of internally generated intangibles could introduce additional operational challenges, including auditability.

***Question 12: If the Board were to address intangibles, how should the FASB consider international guidance and research on recognition of intangibles by international standard setters or advisory groups? Please explain your response, including which specific international guidance (or research) should be considered and whether international guidance as applied results in substantively different accounting outcomes than GAAP (for example, whether pharmaceutical companies capitalize material amounts of development costs under IAS 38 versus entities that apply GAAP).***

*Response*: SIFMA does not believe it would be prudent to consider international guidance, as current IFRS guidance can be significantly more complex than that under US GAAP. IFRS can permit increased diversity in practice in the determination of amounts capitalized vs. expensed, and it is unclear how IFRS would represent an improvement to the usefulness of the financial reporting for such expenditures. As the current US GAAP model is well understood, and we do not see a benefit that justifies the costs of aligning to IFRS, we do not support considering international guidance or research.