BB&T Corporation

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Technical Director
File Reference No. 2016-290
Financial Accounting Standards Board
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Invitation to Comment: Agenda Consultation

We appreciate the opportunity to respond to the Invitation to Comment *Agenda Consultation* ("ITC"). BB&T Corporation and its subsidiaries ("BB&T") offer full-service commercial and retail banking and additional financial services such as insurance, investments, retail brokerage, corporate finance, treasury services, international banking, leasing, and trust management.

We support the Board on its continued efforts to improve major areas of financial reporting. BB&T believes the Board should continue to maintain a significant focus on reducing complexity in current accounting and financial reporting as they consider future agenda items for improvement. Additionally, we believe the Board should consider the volume of recently issued Accounting Standards Updates (ASUs) and the resulting significant changes to accounting and financial reporting that companies will be investing a significant amount of time and expense in implementing and understanding over the next several years as the Board considers future agenda items.

Chapter 1: Intangible assets (including research and development)

BB&T does not believe accounting for internally generated intangible assets (including research and development) is a financial reporting issue that the Board should consider for improvement.

We believe the current accounting model is reasonable and generally well understood and that most capitalizable intangible assets are akin to inventory and have either an identifiable future revenue stream or specific period of benefit. We do not believe adding intangible assets that do not have these attributes makes sense and would hinder the usefulness of financial statements rather than enhance it.

We do not believe the usefulness of the proposed alternatives is commensurate to the added cost, undue complexity or inherent and wide-ranging subjectivity. While we understand that users of the financial statements consider the fair value measurements of financial instruments as decision-useful information, we continue to doubt the usefulness of fair value measurements in regards to certain non-financial assets, including intangible assets. In addition, the incorporation of additional forward looking forecasts and related complex sensitivity analyses could significantly affect the auditability of the financial statements and/or the notes to the financial statements. While auditors frequently opine on complex models that incorporate assumptions, comprehensive analyses of financial institution's sensitivity to interest rates for certain intangibles assets would require auditors to opine on the effects of an entity's expected business plan (e.g. expected loan growth, changes in pricing and credit spreads, attrition of deposits) and customer's reactions to future events. Further, in conjunction with providing this additional information, management and auditors would be required to evaluate the processes, systems, and outside service providers utilized to obtain such information to ensure they are subject to adequate internal controls.

We believe the proposed alternative for disclosure only does not provide relief from these added costs and complexities. Additionally, we believe the proposed alternative of carrying internally developed intangibles at cost, while involving fewer complexities than carrying intangibles at fair value, still adds undue complexity to evaluating the useful life and potential impairment, while not providing decision-useful information to financial statement users.

The Board noted two hurdles, the time gap and the correlation gap, that historically have impeded attempts for creating accounting standards in the United States that would lead to capitalizing costs associated with the generation of intangible assets. As a result of these hurdles, we believe the proposed changes would likely lead to diversity in practice regarding asset recognition timing, the buildup of capitalized costs, and subsequent valuations or amortization.

Chapter 2: Pensions and other postretirement benefit plans

BB&T recognizes that certain aspects of the accounting for pensions could be improved. At a high level, we believe the following core principles should be retained regardless of the direction the Board takes:

1. The net asset/liability presentation for qualified plans is the appropriate presentation on the balance sheet as the gross assets are not available to the company or its creditors.
2. The total net cost (service, interest, return on assets and amortization as applicable) should be presented in personnel expense in the income statement. This net cost is the actual cost to company to provide the benefit to the employee. This is also consistent with the net presentation on the balance sheet.

We believe the Board should consider the following improvements:

1. Accumulated benefit obligation (ABO) should be used as the basis for accounting. The projected benefit obligation is not fundamentally sound as it incorporates future compensation changes and does not represent what the employee has actually earned for the services rendered. Using the ABO would match the economics of what has been earned as well as the value the employee contributes to the company.
2. Use of a single rate for both valuing the benefit obligation and recognizing the return on assets. Unlike IFRS, we believe that this rate should be the estimated return on assets. This rate more closely reflects the actual economics of providing the benefit. The current

discount rate for the benefit obligation is akin to a "settlement" view, and is not appropriate for an on-going pension plan. In addition, using the artificially low discount rate for the return on plan assets will invariably result in larger deferred actuarial gains.

3. Cease amortization of the accumulated actuarial gains/losses. However, we believe this concept is only appropriate if the Board adopts the recommendation in the preceding paragraph.

4. For non-qualified plans that use a Rabbi trust, the Board should allow a company to present the earnings on the trust assets as a reduction of the cost of the plan in the income statement as a component of personnel expense. The current gross presentation is not representative of the real economics of the plan as the assets are only available to creditors in the event of bankruptcy and that assumption is not appropriate for companies without going concern uncertainties. We have found that the income statement gross presentation causes confusion for stakeholders.

Chapter 3: Distinguishing Liabilities from Equity

BB&T believes the accounting for distinguishing liabilities from equity is a major financial reporting issue that the Board should consider for improvement. We believe the perceived issues identified in the ITC are valid concerns. Current GAAP is internally inconsistent, conceptually flawed, instrument specific following a rules-based methodology rather than a comprehensive principles based framework and subject to financial structuring to achieve a desired result. Additionally, current guidance is spread over multiple sources and references and can be difficult to interpret and apply.

BB&T believes the issue requires a holistic approach that codifies the literature in a single set of clearly written requirements. Targeted improvements will likely result in unintended consequences in unforeseen areas that would require additional targeted improvements. As the Board stated, we also believe a targeted approach will also continue to perpetuate instrument specific, rules-based guidance with the potential for unwarranted inconsistency and complexity. As such we believe a comprehensive understanding and view of equity versus liability classification is the appropriate approach.

BB&T believes Alternative B, Equity classification – distinguishes between obligations to transfer assets versus shares (indexation and settlement matter) provides the most useful information to the users of financial statements as this approach is based on the nature of the return, what the reporting entity is obligated to transfer and focuses on settlement of the instrument and the reporting entities ability to control settlement. While generally speaking, we are a proponent of simplification and support the Board initiative to reduce complexity in accounting, we believe Alternative A provides too narrow of a scope to define equity instruments that will ultimately result in more instruments being classified as liabilities. This chapter of the ITC is focused on classification of equity and liability instruments; however, we believe consideration of measurement requirements should be considered in determining a conclusion. Alternative A would ultimately result in greater volatility from liability remeasurement, as well as increased costs and efforts associated with remeasuring liabilities at the reporting date. Finally, we concur with the Board that Alternative B is most aligned with current GAAP while addressing the need for comprehensive improvement regarding this topic.

BB&T believes Alternative B, bifurcate conversion options from host contract if the instrument is "compound" provides the most useful information to the users of financial statements. We believe bifurcation of complex instruments should only occur when instruments are truly compound (i.e. separately exercisable components). We believe bifurcation should not occur when complex instruments cannot exist independently of one another. In such cases, the settlement choices are mutually exclusive and should not be bifurcated. We believe Alternative A (bifurcating all options) would create hypothetical instruments that do not exist. Alternative B simplifies the number of instruments with bifurcation allowing for reduced complexity in application and understanding.

BB&T believes that the determination of which measurement alternative is more useful depends on the nature of the underlying instrument and the company's intentions related to such instrument. Accordingly, a single alternative is not appropriate in such a global context.

Chapter 4: Reporting Performance and Cash Flows

Income Statement

BB&T does not believe income statement presentation is a major financial reporting issue the Board should consider for improvement as the current income statement is not difficult to comprehend and disclosures enable users to identify non-recurring charges to aid financial statement users in identifying future earnings potential. However, we believe any considerations regarding amendments to income statement guidance should focus on classification of income statement items as operating versus non-operating earnings. For example, allowing earnings excluding certain non-recurring items (i.e. a company's core earnings) as a GAAP metric would be the most decision-useful, beneficial and representative view of earnings for financial statement users.

BB&T would not object to the Board adopting similar income statement line item disaggregation requirements as required under current SEC rules.

Segments

BB&T does not believe that segment disclosure is a major financial reporting issue that the Board should consider for improvement.

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BB&T does not believe that the presentation of other comprehensive income is a major financial reporting issue that the Board should consider for improvement; however, we do believe there is value in reconsidering the notion that all components of accumulated other comprehensive income should be reclassified into net income at some point. We believe this evaluation could be effectively done within guidance related to each component of other comprehensive income.

Cash Flows

BB&T does not believe that cash flows presentation is a major reporting issue that the Board should consider for improvement, especially as it relates to the banking industry. BB&T rarely receives questions related to the statement of cash flows from investors or analysts. Additionally, we believe improvements to date to improve consistency in classification were appropriate but the alternatives described in this ITC will not provide for more usefulness of the cash flow statement in the banking industry. Thus the cost and effort of implementation would far outweigh the perceived benefit.

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We would be pleased to discuss our comments with the Board members or the Board staff at your convenience.

Very truly yours,

/s/ Stephanie Collins