



March 30, 2018

Ms. Susan Cospier
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06855-5116

Via e-mail: director@fasb.org

Re: File Reference Number 2018-220, Exposure Draft, *Derivatives and Hedging (Topic 815)—Inclusion of the Overnight Index Swap (OIS) Rate Based on the Secured Overnight Financing Rate (SOFR) as a Benchmark Interest Rate for Hedge Accounting Purposes*

Dear Ms. Cospier:

SunTrust Banks, Inc., (“We”) appreciates the opportunity to comment on the Proposed Accounting Standards Update – *Derivatives and Hedging (Topic 815)—Inclusion of the Overnight Index Swap (OIS) Rate Based on the Secured Overnight Financing Rate (SOFR) as a Benchmark Interest Rate for Hedge Accounting Purposes*, (“the Proposed ASU”) which would expand U.S. benchmark interest rates for hedge accounting purposes to include the OIS rate based on SOFR.

We agree that SOFR should be added as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815 as this is the preferred alternative reference rate identified by the Alternative Reference Rates Committee (“ARRC”). Inclusion of SOFR as a benchmark interest rate would facilitate the acceptance and use of SOFR.

We recommend that the Board consider providing transition relief to accommodate the market’s phased adoption and use of SOFR as a reference rate. Currently, various industry groups are developing modification language for new and existing contracts in order to facilitate an orderly transition to a new reference rate in preparation for the phase out of LIBOR. This may result in the fixed leg of an interest rate swap remaining unchanged while the variable leg will become SOFR plus a variable market spread to LIBOR as part of the transition. This could be deemed to be a change in the critical terms of the hedged



item or hedging instrument and require dedesignation. Although the recent amendments in ASU 2017-12¹ eliminate the concept of benchmark interest rates for hedges of variable-rate instruments, hedge relationships designated as cash flow hedges could still be affected as the ability to assert the probability of future cash flows for hedging instruments as well as the hedged item (e.g., LIBOR-indexed variable rate loans) could be challenged. If transition relief is not provided, this could result in the dedesignation of existing hedge relationships, both fair value and cash flow, depending on the timing of when agreements for the hedged item(s) and hedging instrument(s) are modified.

In the Proposed ASU, the definition of SOFR only contemplates an overnight rate. As acknowledged in BC6, a gradual increase in the duration of derivatives based on SOFR to create liquidity in contracts with longer term maturities is expected to occur. We recommend revising the glossary term for SOFR so that broader SOFR rates will qualify as a U.S. benchmark interest rate as these terms become available rather than requiring additional Board proposals at a later time.

We do not believe that additional disclosures should be required. We agree that the proposed amendments should be applied on a prospective basis (with additional provisions for transition relief), and the effective date of the proposed amendments should coincide with the effective date of ASU 2017-12.

We appreciate the opportunity to provide our comments on the Proposed ASU. Thank you for considering our views. If you have any questions, please contact me at (404) 813-2741.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Ryan Richards", with a long horizontal line extending to the right.

Ryan Richards
Corporate Controller and Chief Accounting Officer
SunTrust Banks, Inc.

¹ Derivatives and Hedging (Topic 815) – *Targeted Improvements to Accounting for Hedging Activities*