TRUIST

214 N. Tryon Street
Charlotte, NC 28202

July 2, 2021

Ms. Hillary H. Salo
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT, 06856-5116

Re: Proposed Accounting Standards Update, *Derivatives and Hedging (Topic 815): Fair Value Hedging – Portfolio Layer Method* (File Reference 2021-002)

Dear Ms. Salo:

Truist Financial Corporation ("Truist" or "we") appreciates the opportunity to comment on the Exposure Draft, *Proposed Accounting Standards Update, Derivatives and Hedging (Topic 815): Fair Value Hedging – Portfolio Layer Method* (the "Exposure Draft" or the "Proposed Update"). Truist is a purpose-driven financial services company committed to inspiring and building better lives and communities. Formed by the historic merger of equals of BB&T and SunTrust, Truist has leading market share in many high-growth markets in the country. Headquartered in Charlotte, North Carolina, Truist offers a wide range of services including retail, small business and commercial banking; asset management; capital markets; commercial real estate; corporate and institutional banking; insurance; mortgage; payments; specialized lending; and wealth management.

As a top 10 U.S. commercial bank with total assets of $518 billion as of March 31, 2021, Truist has closely followed the FASB's efforts to improve hedge accounting to better portray the economic results of an entity's risk management activities in its financial statements. Truist applauds the FASB's responsiveness to feedback provided by preparers and practitioners, and urges the FASB to expedite final issuance of the Proposed Update. In clarifying certain aspects of the Exposure Draft, we ask that you consider the comment provided below.

Comment

Paragraph 815-25-35-7A requires an analysis at each assessment date in support of an entity's expectation that the hedged layer is still anticipated to be outstanding for the period hedged. This analysis incorporates an entity's current expectations of prepayments, defaults, and other factors impacting the timing and amount of cash flows using a method consistent with the method used to perform the analysis in paragraph 815-20-25-12A(a) and (b). Given the nature of predicting the impact of future interest rate changes on the timing of forecasted prepayments, we suggest that the FASB clarify that an entity's evaluation of "anticipated" should encompass consideration of certain qualitative factors. For example, such factors may include, although would not be limited to, the length of time between the quarterly assessment date and a forecasted breach, and the extent to which current market disruptions may be more short-term in nature.

Notwithstanding the judgmental nature of an entity's evaluation of "anticipated", we also suggest that the FASB consider more expressly aligning an entity's consideration of both qualitative and quantitative factors in support of the hedged item being outstanding with accounting concepts applied elsewhere in GAAP. For example, in the context of developing relevant estimates, Topic 326 *Financial Instruments—Credit Losses* requires that an entity consider both qualitative and quantitative factors that relate to the operating environment and the specific financial assets under consideration.

We appreciate the FASB's consideration of this suggestion, and we would welcome the opportunity to discuss and or provide further clarification on this matter.

Sincerely,

Jay Cochrane
Director of Accounting Policy
704.521.7585
jay.cochrane@truist.com