September 13, 2013

Ms. Susan Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
Via email: director@fasb.org

RE: File Reference No. 2013-270: ***Leases (Topic 842)***

Dear Ms. Cosper:

SunTrust Banks, Inc. ("SunTrust" or the "Company") appreciates the opportunity to comment on the Proposed Accounting Standards Update (Revised) – *Leases* (the "Update") issued by the Financial Accounting Standards Board ("FASB").

SunTrust, headquartered in Atlanta, Georgia, is one of the nation's largest banking organizations with assets of approximately $172 billion as of June 30, 2013. SunTrust offers a full line of financial services for consumers and businesses through an extensive distribution network, located primarily in the Southeast and Mid-Atlantic states and also services customers in selected markets nationally.

Through SunTrust's various lines of business, we are the lessor and lessee in thousands of equipment and real estate leases. Further, we evaluate the financial statements of thousands of companies in our lending and investment activities. Therefore, as an institution, we will be impacted by all facets of the proposed guidance and have the perspective of both a user and preparer of financial statements.

As a user of financial statements, SunTrust supports the FASB's efforts to improve lease accounting to better meet the needs of financial statement users. While we agree that some leases should be reflected on the balance sheet as an asset and obligation; our view is limited to those leases that transfer substantially all the risk and rewards related to the leased asset from the lessor to the lessee. To that end, we believe current accounting standards could be improved to make that assessment more principle based. However, we do not believe recognizing substantially all operating leases on the balance sheet is the appropriate accounting because it does not provide significant incremental information, and in some cases, makes it more difficult for users to analyze the impact of leasing activity on financial statements. Further, this Update will make our evaluation of financial statements more complex and time consuming. Currently, we use the information provided in the disclosures to assess the committed cash flows of an entity related to leases. However, this Update will cause us to (1) remove the Right to Use asset since we do not view it as an asset of the entity since it cannot serve as collateral and has no value to us as a lender or investor, (2) unwind the operating leases obligation, (3) adjust the income statement for newly introduced non-cash expenses, and (4) then use the disclosures to access the committed cash flows of a company related to its operating lease activities. Thus, as a user of financial statements, we believe this Update should be focused on making the assessment of what is a capital lease more principle based and enhancing disclosures for all leases rather than modifying the primary financial statements.

As both a user and preparer, we believe the cost associated with the implementation and compliance with this Update outweighs the benefits to users, which we think are limited as discussed above. The costs of implementing and maintaining compliance with the Update fall in the following categories: (1) Systems: given the complexity associated with the Update, substantially all entities with multiple leases will need to implement new systems to account for their leases; whereas, we understand that most companies currently use spreadsheets with appropriate controls to account for leases today, (2) Modifying Debt Covenants: the administrative cost associated with amending debt covenants to reflect the impact to financial ratios from the Update will be significant for use as a leasee and for our borrowers, (3) Tax Compliance: as further discussed below: the Update will increase the complexity and costs of accounting for income taxes, (4) Capital Requirements: financial institutions, depending on regulatory interpretation of this Update, may have to hold additional capital for the Right of Use assets that will be added to the balance sheet, and (5) FDIC fees: banks, absent rulemaking by the FDIC, will incur an ongoing incremental fee for the Right of Use assets as the fee is based upon total average assets less tangible equity.

As both a preparer and user of financial statements, we would like to recommend specific alternatives that we believe are conceptually sound yet practical for financial statement preparers, while meeting the needs of financial statement users.

Lessee lease classification, measurement, and recognition:

We recommend that FASB retain the concept of a capital lease and an operating lease with amendments to the guidance that will make the classification more principles based. As discussed above, we believe lessees should classify a lease as a capital lease when substantially all the risks and rewards of ownership are transferred to the lessee. When only temporary rights of use are transferred, the lessee should classify the lease as an operating lease. We view an operating lease as an executory contract that establishes the cost of obtaining the utility of an asset similar to a forward contract on a commodity or a long-term customer or supply contact rather than a financing transaction.

We do not view the proposed changes to measurement of capital and operating leases as a meaningful improvement over existing accounting guidance because it does not provide us, as users of financial statements, with enhanced insight as discussed above. Thus, we recommend the retention of the accounting guidance for measuring a capital lease. We also recommend retaining the accounting guidance for operating leases with additional presentation and disclosure requirements for all leases.

Sale-leaseback accounting:

Paragraph 842-10-65-1 (y) includes transition guidance for sale and leaseback transactions before the beginning of the earliest comparative period presented. This paragraph states for a previous sale and leaseback transaction that was accounted for as a sale and operating lease, that if a transferee obtains control of the underlying asset in accordance with the requirements for determining when a performance obligation is satisfied in the proposed Accounting Standards Update on revenue recognition, a lessee shall use the requirements in (k) through (l) to measure lease assets and lease liabilities and shall derecognize any deferred gain or loss at the beginning of the earliest comparative period presented. The guidance implies that derecognition of the deferred gain would be recorded as an adjustment to retained earnings in the earliest period presented; however, if the Update is finalized as proposed, we believe derecognition of the deferred gain should either be recognized in current earnings or as a reduction of the Right of Use asset. Under the existing sale-leaseback accounting guidance, the deferred gain is recognized over the

remaining lease term as a reduction of rent expense. Since these prior transactions have no bearing on the prospective accounting for leases, we believe entities should be able to realize the benefit of these prior transactions through an increase to earnings or a reduction to prospective rent expense. Decreasing the Right of Use asset for the deferred gain would be similar to the transition guidance in (k) of Paragraph 842-10-65-1 that allows for prepaid or accrued lease payments to adjust the Right of Use asset.

Tax considerations:

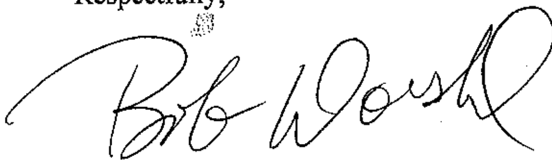
The current accounting for leases aligns with the tax rules since the lessee guidelines are based on benefits and burdens of ownership. However, the Right of Use concept within the Update represents a break with the traditional tax alignment. The Right of Use asset recognized for traditional operating leases in financial statements will not be recognized for tax purposes since the lessee does not incur the requisite benefits and burdens of ownership required for Federal and State income tax purposes. Thus, both the Right of Use asset and the related obligation will create book and tax differences and result in the need for deferred tax accounting by lessees. Additionally, the front-end loaded rent expense will also need to be excluded for state apportionment purposes in order to properly compute sales tax and property tax returns.

This creates a layer of complexity and increases the cost of tax compliance. Thus, we recommend the retention of existing capital and operating release classifications. Absent that, we recommend that separate accounting presentation in the primary financial statements be allowed so that the Right of Use assets can be easily distinguished for deferred tax, state apportionment, and sales tax / property tax purposes.

We also recommend that tax benefits from tax credits and grants that a lessor receives relating to leased assets be included in revenue rather than as a component of tax expense. Including the expenses of the lease in pre-tax net income and the cash flow/revenue generated from the tax credits and grants in tax expense distorts the presentation of the net earnings on the lease. The cash flows from these tax benefits should be treated in the same manner as cash flows from lease payments. This presentation is important since the majority of the cash flow on leases that generated tax credits and grants are from these tax benefits.

We appreciate the opportunity to provide comments on the Update. Thank you for considering our views. If you have any questions, please contact Bob Worshek at (404) 813-0079.

Respectfully,



Bob Worshek
Chief Accounting Officer

Ms. Susan Cosper
Technical Director
Financial Accounting Standards Board
September 12, 2013

APPENDIX: ANSWERS TO SPECIFIC QUESTIONS POSED IN THE UPDATE

Question 1: ***Identifying a Lease***

This revised Exposure Draft defines a lease as —a contract that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. An entity would determine whether a contract contains a lease by assessing whether:

1. Fulfillment of the contract depends on the use of an identified asset.
2. The contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration.

A contract conveys the right to control the use of an asset if the customer has the ability to direct the use and receive the benefits from use of the identified asset.

Do you agree with the definition of a lease and the proposed requirements in paragraphs 842-10-15-2 through 15-16 for how an entity would determine whether a contract contains a lease? Why or why not? If not, how would you define a lease? Please supply specific fact patterns, if any, to which you think the proposed definition of a lease is difficult to apply or leads to a conclusion that does not reflect the economics of the transaction.

Response:

We believe the existing definition of a lease is operational and effective; thus, we do not support changing the definition as it would cause a significant level of effort to reanalyze and document existing leases without having a meaningful impact on lease accounting.

Question 2: ***Lessee Accounting***

Do you agree that the recognition, measurement, and presentation of expenses and cash flows arising from a lease should differ for different leases, depending on whether the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset? Why or why not? If not, what alternative approach would you propose and why?

Response:

While we understand the conceptual merits for different recognition, measurement and presentation of expenses and cash flows for different types of leases, we believe it introduces an unnecessary level of complexity.

If lessees are required to record all leases on the balance sheet at lease commencement, then the subsequent recognition and presentation of expenses should be simplified so that there is one approach for subsequent recognition and presentation. As users, we do not find the proposed differences to be decision useful. If all leases are going to be on-balance sheet, then straight-line expense recognition, regardless of the asset being leased, is the most practical and is as meaningful to users as the proposed Update.

Additionally, we believe that all lease expense should be recorded in the same line in the income statement as "lease" or "rent" expense and lessee related cash flows should be recorded in one line as

operating cash flows in the cash flow statement. As currently written, the proposal is too academic and theoretical and we do not see the benefit associated with having lease related expense in three different lines in the income statement. Further, there are many analysts and entities which utilize the metric of EBITDA in their analysis of financial data. The proposal will result in the entire lease related expense for Type A leases being excluded from EBITDA. As users of financial statements, we do not find the presentation of lease expense in multiple line items of the income statement to be decision-useful.

Question 3: ***Lessor Accounting***

Do you agree that a lessor should apply a different accounting approach to different leases, depending on whether the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset? Why or why not? If not, what alternative approach would you propose and why?

Response:

We are in agreement with having two approaches for lessor accounting, a receivable and residual approach and an operating lease approach; however, we recommend that lease classification be based on the lessors' business model as opposed to being driven by the type of asset being leased or being driven by the estimated consumption of economic benefits. Upon implementation of the existing proposal, we expect that bright lines will form around the definition of "insignificant" as it relates to fair value and economic life. Under the existing proposal, we believe entities will continue to structure leases in order to achieve a desired accounting result. In a business model approach, financial lessors would use the receivable and residual approach, as they view leases as an investment and intend to sell the asset at the end of the lease term. Operating lessors typically intend to lease the asset several times beyond the first lease and would add the leased asset to their inventory of leased assets to depreciate.

Question 4: ***Classification of Leases***

Do you agree that the principle on the lessee's expected consumption of the economic benefits embedded in the underlying asset should be applied using the requirements set out in paragraphs 842-10-25-5 through 25-8, which differ depending on whether the underlying asset is property? Why or why not? If not, what alternative approach would you propose and why?

Response:

We believe that lessee's should continue to classify leases as either capital or operating leases. However, in order to avoid bright lines and structuring opportunities, the classification should be more principles-based. Lessees should classify a lease as a capital lease when substantially all the risks and rewards of ownership are transferred to the lessee. When only temporary rights of use are transferred, the lessee should classify the lease as an operating lease. We believe the proposal to classify leases primarily based on the type of asset being leased is too arbitrary and lacks conceptual basis.

See response to Question 3 regarding classification of leases by lessors.

Question 5: ***Lease Term***

Do you agree with the proposals on lease term, including the reassessment of the lease term if there is a change in relevant factors? Why or why not? If not, how do you propose that a lessee and a lessor should determine the lease term and why?

Response:

Yes, we agree with the proposal on lease term, including the reassessment of lease term if there is a change in relevant factors.

Question 6: ***Variable Lease Payments***

Do you agree with the proposals on the measurement of variable lease payments, including reassessment if there is a change in an index or a rate used to determine lease payments? Why or why not? If not, how do you propose that a lessee and a lessor should account for variable lease payments and why?

Response:

We agree with the Update for accounting for variable lease payments at the initial measurement date; however, we do not agree with the proposal to reassess the accounting for leases with variable lease payments, every time there is a change in an index or rate used to determine the lease payments. Presumably, this could cause an entity to have a quarterly reassessment for multiple leases which is too onerous for lessees and lessors that have variable lease payments. Additionally, the onerous requirements may hinder lessors' capability to sell these types of transactions to lessees. We question whether the financial statements are meaningfully impacted when there are changes in the index or rate; therefore, we believe that leases with variable lease payments should not have to be reassessed until there is another reassessment event, other than the change in the index or rate. Alternatively, we propose only an annual requirement to reassess variable lease payments.

Question 7: ***Transition***

Subparagraphs 842-10-65-1(b) through (h) and (k) through (y) state that a lessee and a lessor would recognize and measure leases at the beginning of the earliest period presented using either a modified retrospective approach or a full retrospective approach. Do you agree with those proposals? Why or why not? If not, what transition requirements do you propose and why? Are there any additional transition issues the Boards should consider? If yes, what are they and why?

Response:

We believe a modified retrospective approach is appropriate for transition; however, due to the system implementation that will be required to comply and based on the requirement to recognize and measure leases at the beginning of the earliest period presented, we believe that the effective date would need to be at least four years from the date a final standard is issued.

Question 8: ***Disclosure***

Paragraphs 842-10-50-1, 842-20-50-1 through 50-10, and 842-30-50-1 through 50-13 set out the disclosure requirements for a lessee and a lessor. Those proposals include maturity analyses of undiscounted lease payments, reconciliations of amounts recognized in the statement of financial position,

and narrative disclosures about leases (including information about variable lease payments and options). Do you agree with those proposals? Why or why not? If not, what changes do you propose and why?

Response:

The disclosures proposed in the ED are too extensive and in our view border on disclosure overload. Specifically, we do not believe the following proposed disclosures will add to the effectiveness of financial statement disclosures:

Paragraph 842-20-50-3 requires that lessees disclose information about significant assumptions and judgments which may include the determination of the discount rate (as described in paragraphs 842-20-55-1 through 55-4) and includes the allocation of the consideration in a contract between lease and nonlease components (as described in paragraphs 842-10-15-20 through 15-21). For companies with hundreds or thousands of leases, a disclosure about determination of the discount rate is too generic and the disclosure will likely repeat the requirements described in the Codification in paragraphs 842-20-55-1 through 55-4, without providing any meaningful quantitative data; therefore, we recommend that this requirement be removed. Additionally, we are not clear on the benefit in disclosing consideration allocated to a non-lease components of a lease contract. There are no required disclosures associated with service contracts on owned assets, so we do not believe it is necessary to disclose consideration associated with service or other non-lease arrangements for leased assets.

Paragraph 842-20-50-4 requires lessees to disclose reconciliations of the opening and closing balances of their lease liability and Paragraphs 842-30-50-7 and 842-30-50-8 require lessors to disclose reconciliations of the opening and closing balances of their lease receivable and residual asset accounts. The rollforward of these accounts would be extremely time-consuming to compile and we question whether the benefit will outweigh the cost associated with the ongoing preparation of this disclosure. We are unclear on the additional benefit that financial statement users will gain through visibility into the activity of these accounts.

Question 9: ***Nonpublic Entities***

To strive for a reasonable balance between the costs and benefits of information, the FASB decided to provide the following specified reliefs for nonpublic entities:
1. To permit a nonpublic entity to make an accounting policy election to use a risk-free discount rate to measure the lease liability. If an entity elects to use a risk-free discount rate, that fact should be disclosed.
2. To exempt a nonpublic entity from the requirement to provide a reconciliation of the opening and closing balance of the lease liability.

Will these specified reliefs for nonpublic entities help reduce the cost of implementing the new lease accounting requirements without unduly sacrificing information necessary for users of their financial statements? If not, what changes do you propose and why?

Response:

These specified reliefs for nonpublic entities will help in reducing the cost of implementing the new lease accounting requirements without unduly sacrificing information necessary; however, more relief should be provided to all companies required to apply the standard. The proposed requirements are too complex for public and nonpublic entities alike and as a result, we believe the standard should be reevaluated and simplified. As noted earlier, we do not believe lessees should be required to record operating leases on the balance sheet. Instead, the present value of lease payments could be disclosed on the face of the

balance sheet or in footnotes, with some additional lease footnote information. If the Board determines that all leases should be recorded on the balance sheet, then the income statement recognition and presentation should be simplified to ease the operational aspects of complying with the standard and to present the information in a more straightforward manner for the financial statement user.

Question 10: ***Related Party Leases***

Do you agree that it is not necessary to provide different recognition and measurement requirements for related party leases (for example, to require the lease to be accounted for based on the economic substance of the lease rather than the legally enforceable terms and conditions)? If not, what different recognition and measurement requirements do you propose and why?

Response:

We do not believe that related party leases should have different recognition and measurement requirements.

Question 11: ***Related Party Leases***

Do you agree that it is not necessary to provide additional disclosures (beyond those required by Topic 850) for related party leases? If not, what additional disclosure requirements would you propose and why?

Response:

We agree that it is not necessary to provide additional disclosures for related party leases.