April 26, 2011

Ms. Susan Cosper
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Via email: director@fasb.org


Dear Ms. Cosper:

SunTrust Banks, Inc. ("SunTrust" or the "Company") appreciates the opportunity to comment on the Proposed Accounting Standards Update — Balance Sheet (Topic 210) Offsetting (the "ED") 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 $173 billion as of December 31, 2010. 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 serves customers in selected markets nationally.

The Company generally supports the desire for convergence in accounting standards by the FASB and IASB. However, as it relates to the practice of offsetting financial assets and liabilities for presentation in the financial statements, we believe that current U.S. GAAP is superior to the proposal in the ED. In addition to responding to the questions posed in the ED in the Appendix, we have described our objections to the proposal in the ED in the body of our comment letter. Our comments are principally focused on derivatives; however, they are generally applicable to other financial instruments that are measured at fair value such as repurchase and reverse repurchase contracts and trading payables and receivables.

Conceptual Framework: Market, Cash Flow, and Credit Risks

The Board has cited the Conceptual Framework for Financial Reporting to support the proposal in the ED by citing the following objective: "The primary objective of financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders, and other creditors in making decisions about providing resources to the entity." We believe that current U.S. GAAP provides more transparent information that is useful to existing and potential investors,
lenders, and other creditors ("Users") in assessing the prospects for future net cash flows to an entity, the nature and amounts of a of a reporting entity's economic resources and claims, and about priorities and payment requirements of existing claims to predict how future cash flows will be distributed than the proposal in the ED. Our comments are organized around market, cash flow, and credit risks because we believe those are the relevant risks that an offsetting model should be evaluated upon and are the risks that can be conveyed to Users through an offsetting model for derivatives.

Market Risk

While we agree that offsetting based upon credit risk which is allowed subject to certain requirements pursuant to current U.S. GAAP, does not convey information about market risks on the face of the statement of financial position and that net market risk is a key part of our management of our derivative business, the proposal in the ED does not provide any more market risk information than current U.S. GAAP since derivative assets and liabilities are not presented by underlying market risk on the statement of financial position, which we believe would be difficult to achieve even if proposed. However the proposal in the ED foregoes the credit risk information that is currently conveyed on the face of the statement of financial position pursuant to U.S. GAAP. Whether prepared under current U.S. GAAP or the proposal in the ED, Users of financial statements will have to look to the financial statement disclosures to obtain information about the underlying market risks.

Cash Flow Risk

With respect to cash flow concerns, we believe that it is impossible to provide information about the timing of cash flows on the face of the statement of financial position since it is a point in time statement. While some companies present classified balance sheets that provide a limited about of information between current and long-term assets and liabilities, that delineation is limited in its usefulness given it is solely a distinction between expected cash flows before or after a year from the date of the statement of financial position. Generally, banking institutions do not present classified statements of financial position; thus, even the limited amount of timing of cash flow information that is conveyed by a classified statement of financial position is not applicable for one of the industries that is most impacted by this ED. Further, we believe that offsetting derivative assets and liabilities and the related posted cash collateral by counterparty when the position and collateral are subject to a master netting arrangement does provide information about the amount of cash flow since collateral moves in the opposite direction of the net payment flow of the related derivative asset and liability positions. For example, if we owe a counterparty $100 in accordance with the terms of a portfolio of derivative contracts and they owe us $60 under the terms of another portfolio of derivative contracts, we may have to post up to $40 of cash collateral against the net position. When we pay down the $100 liability by $20 in accordance with the terms of the contracts that comprise the liability, we will receive up to $20 of cash collateral back depending upon the terms of collateral arrangement. Thus, the net flow could be as little as $0, which is how these positions are likely presented under current U.S. GAAP. The ED proposes to have derivative assets and liabilities and cash collateral presented on different line items in the statement of financial position unless the terms of the contracts meet the narrow definition of
when the assets and liabilities must be offset. Thus, under the proposal in the ED, Users have no indication of the amount or timing of cash flows that will occur as the net position is settled. Accordingly, we believe the proposal in the ED will provide less meaningful information about the amount of cash flows than currently available under U.S. GAAP.

**Credit Risk**

With respect to credit risk, we believe current U.S. GAAP provides the most useful information to Users about credit risk since it allows for the presentation of derivative assets and liabilities on a net basis when we have a legally enforceable right to offset in the event of a counterparty default. The proposal in the ED would take that information off the face of the statement of financial position and include it in the notes to the financial statements. We believe that the proposed ED overstates credit risk on the face of the statement of financial statement. From the above example, the $60 that we are owed by the counterparty would be presented as though we are exposed to $60 of credit risk of the counterparty when we actually have zero credit risk. As described above, we believe the proposal in the ED will convey less useful information to Users in making decisions about providing resources to the entity than current U.S. GAAP.

**Disconnect from How We Manage Our Derivatives Business**

Master netting agreements are part of the foundation for sound risk management around derivative instruments that have served the banking industry well over the years. Even during the financial crisis, master netting agreements and the ability to offset net positions when a counterparty defaulted were not successfully challenged in the jurisdictions where legal opinions were obtained. We do not enter into master netting agreements to enable offsetting derivatives in our statement of financial position; rather, we enter into master netting agreements to mitigate counterparty credit risk and to limit the amount cash collateral that we have to post against our net liability positions. Thus, providing the information in accordance with the proposal in the ED would be solely for financial reporting purposes and would be inconsistent with how we manage our business. We believe that how we manage our business is a more relevant basis for financial reporting than the proposal in the ED that is focused solely on cash flows, which as described above, in our belief, provides less useful information on the statement of financial position than current U.S. GAAP.

**Cost Benefit**

The costs and benefits of the proposed changes must be given consideration since User responses from the Board’s outreach did not indicate a preference for gross presentation over net in the statement of financial position, but did indicate that both are useful for analyzing financial statements.

Our accounting systems are designed to automatically net by counterparty when there is a master netting arrangement in place, and the requirements of U.S. GAAP are met. As described above, even if we are required to begin to prepare our financial statements in accordance with the proposal in the ED, we will still provide net positions based upon the existence of legally enforceable master netting.
agreements for internal management purposes since net credit exposure is critical to how we operate our business.

The cost of converting our systems to be able to provide gross amounts in a timely manner for earnings announcements will be significant. Some may argue that since we already produce much of the information required by the proposal in the ED to meet the disclosure requirements of Accounting Standards Codification 815-10-50 that it should not be a costly endeavor to comply with the proposal in the ED. However, we will have to automate what is currently a highly manual process to produce our statement of financial position on a gross basis in a timely manner for our earnings releases.

Since gross information is a required disclosure pursuant to current U.S. GAAP, and there is not a consensus among users for gross presentation in the statement of financial position versus in the financial statement footnotes, we question whether the benefit perceived by the Board of providing substantially the same information but on the face of the statement of financial position outweighs the cost.

Other Considerations for Banking Institutions

As a banking institution subject to FDIC assessments, SunTrust would incur additional FDIC expense if the proposal in the ED were finalized as drafted. SunTrust’s derivative assets would increase from approximately $2.7 billion to $5.9 billion as of December 31, 2010 (with a similar increase reflected in our derivative liability positions, from $1.8 billion to $5.0 billion). The FDIC recently approved a final rule that changes the assessment base from domestic deposits to average assets minus average tangible equity. The rule is effective for the second quarter of 2011. Using the current minimum assessment rate of 1.5, we estimate our minimum additional recurring annual expense to be $5 million\(^1\). Depending on the amount of our total assets less average tangible equity and our risk rating, which may range from 1.5 to 40, the additional recurring annual expense could be much greater.

US banking institutions are further impacted by the gross up in assets since leverage ratios are calculated as Tier 1 capital divided by total average assets. The volatility in leverage ratios, depending upon gross up impact and fair values at period ends could cause banks to appear in need of additional capital when the economics have not changed.

\(^1\) Due to the confidential nature of our FDIC assessment rating, we have calculated this amount based upon our total assets with the minimum ratio applied.
Conclusion

We encourage the FASB to continue to work with the IASB on convergence. However, we believe that the current approach under U.S. GAAP is superior to the proposed ED and should be retained.

We appreciate the opportunity to comment on the proposed ED. Thank you for considering our views. If you have any questions, please contact Tom Panther at (404) 588-8585 or Bob Worshek at (404) 813-0079. The attached Appendix includes our responses to the specific questions posed in the ED.

Sincerely,

[Signature]
Tom Panther
Controller and Principal Accounting Officer

[Signature]
Bob Worshek
Chief Accounting Officer
Appendix

Responses to Questions Posed in the ED

Question 1:

The proposals would require an entity to offset a recognized eligible asset and a recognized eligible liability when the entity has an unconditional and legally enforceable right to setoff the eligible asset and eligible liability and intends either:

1. To settle the eligible asset and eligible liability on a net basis
2. To realize the eligible asset and settle the eligible liability simultaneously.

Do you agree with this proposed requirement? If not, why? What criteria would you propose instead and why?

Response:
We do not agree with the proposed requirement. The resulting gross up of assets and liabilities on the balance sheet would not be a more transparent presentation of our financial position since it would not reflect the economic distinction between a banking institution that employs effective credit risk mitigation efforts through the use of master netting agreements from a banking institution with the same portfolio of derivatives that does not employ such credit risk mitigation tools. We propose that the current offsetting requirements as included in Accounting Standards Codification (ASC) 210-20 continue to be the basis for offsetting eligible assets and eligible liabilities.

Question 2:

Under the proposals, eligible assets and eligible liabilities must be offset if, and only if, they are subject to an unconditional and legally enforceable right of setoff. The proposals specify that an unconditional and legally enforceable right of setoff is enforceable in all circumstances (that is, it is enforceable in the normal course of business and on the default, insolvency, or bankruptcy of a counterparty) and its exercisability is not contingent on a future event. Do you agree with this proposed requirement? If not, why? What would you propose instead and why?

Response:
We do not agree with the proposed requirement. We believe that current offsetting that is governed by ISDA Master Agreements ("Master Agreement(s)") should continue to be the primary industry standard for offsetting. Master Agreements executed with a counterparty effectively consolidate individual derivative contracts into a single agreement between the parties. The failure to make a payment under a transaction subject to a Master Agreement would entitle the other party to terminate the entire arrangement and to demand the net settlement of all contracts. Therefore, presentation of the gross aggregate fair values of the individual contracts executed under that Master Agreement would not provide any more useful information about the uncertainty of future cash flows from those contracts than the net amounts do as further described above.
Question 3:
The proposals would require offsetting for both bilateral and multilateral setoff arrangements that meet the offsetting criteria. Do you agree that the offsetting criteria should be applied to both bilateral and multilateral setoff arrangements? If not, why? What would you propose instead and why? What are some of the common situations in which a multilateral right of setoff may be present?

Response:
Not applicable. SunTrust is not party to any multilateral setoff arrangements.

Question 4:
Do you agree with the proposed disclosure requirements in paragraphs 11-15? If not, why? How would you propose to amend those requirements and why?

Response:
We do not agree with the proposed disclosure requirements. We do not deem the distinction between amounts subject to conditional rights of set-off and amounts we do not intend to settle net or simultaneously to be useful (columns iv and v in IE 1). Also, depending upon the level of aggregation for disclosure, the values for collateral (column vii) would be arbitrary and not comparable between entities, as collateral positions are governed by ISDA Master Agreements and are determined on a counterparty basis, as opposed to an instrument-by-instrument basis. To achieve better financial reporting, we recommend enhancement of current disclosures to include discussion of collateral (i.e., the type or quality of collateral), the nature of counterparties (i.e., investment grade/non-investment grade, financial/industrial, etc.), the nature of derivative instruments (i.e., exchange-traded/OTC, tenor, etc.) and an entity’s accounting policy application of offsetting.

Question 5:
Do you agree with the proposed transition requirements in Appendix A? If not, why? How would you propose to amend those requirements and why? Please provide an estimate of how long an entity would reasonably require to implement the proposed requirements.

Response:
We do not agree with the proposed retrospective transition requirement. Compiling historical activity would not be practicable or useful since comparability of information related to derivatives fair values is largely dependent upon market movements which significantly impact the values of the instruments and related collateral positions.