February 14, 2012

Technical Director
File Reference No. 2011-200
Financial Accounting Standards Board
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Proposed Accounting Standards Update:
Financial Services – Investment Companies (Topic 946)

We appreciate the opportunity to comment on the proposed Accounting Standards Update entitled Financial Services – Investment Companies (“the exposure draft”). BB&T Corporation and its subsidiaries offer full-service commercial and retail banking as well as additional financial services such as insurance, investments, retail brokerage, corporate finance, treasury services, international banking, leasing and trust.

We support the Financial Accounting Standards Board (“FASB”) and the International Accounting Standards Board (“IASB”) (collectively “the Boards”) in their ongoing efforts to develop common, high-quality accounting standards. In connection with these efforts, we believe that it is appropriate to develop a converged accounting standard related to the determination of whether an entity should be considered an investment company, and in particular whether the specialized accounting guidance related to investment companies should be retained by non-investment company parent in consolidation.

While we support many aspects of the proposal outlined in the exposure draft, including the determination that it would be appropriate for a non-investment company parent to retain the specialized accounting guidance applicable to investment companies in consolidation, we strongly oppose the “pooling of funds” criterion that would be required in order for an entity to be considered an investment company. As more fully described in this letter, we believe the application of this criterion to certain investments in small business investment company (“SBIC”) structures held by BB&T (and presumably other financial institutions), would result in accounting that fails to appropriately depict the economics of SBIC activities.
We have provided further background on these types of investments and outlined the potential negative consequences to investors and reporting entities that would arise if the exposure draft were adopted as written. We have also outlined certain alternatives for the Board’s consideration, which we believe would address the issues outlined in this letter, and at the same time provide a reasonable basis for determining whether an entity should be classified as an investment company.

Background

SBICs are licensed and highly regulated investment entities that (1) are required to invest in a diverse portfolio of small businesses for investment income and capital gains; (2) are independently and professionally managed by persons approved and licensed by the U.S. Small Business Administration (“SBA”); (3) are strictly prohibited from investing in entities affiliated with their investors or associates; (4) must divest of their investment assets within a seven year time horizon; and (5) are required to value their investments on a fair value basis. SBICs, through their licensing and regulatory structure, are clearly investment companies with strict prohibitions on affiliate transactions that protect against the accounting consequences that the Board is attempting to address.

BB&T holds 99% limited-partner interests in certain SBIC structures (collectively “the BB&T SBIC funds”), with the remaining 1% ownership interest held by the general partner of the structure, who is responsible for the day-to-day management and investment decisions of the BB&T SBIC funds. We have evaluated how each of the six criteria outlined in the exposure draft would apply to our investments in these entities as follows:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Criteria Achieved?</th>
<th>BB&amp;T Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nature of investment activities</td>
<td>Yes</td>
<td>The BB&amp;T SBIC funds were created to invest in debt and equity securities in qualifying small businesses in the United States for investment income and capital gains.</td>
</tr>
<tr>
<td>Express business purpose</td>
<td>Yes</td>
<td>The SBIC funds were organized solely for the purpose of operating as a SBIC under the SBIC Act and conducting the activities described under Title III of the SBIC Act.</td>
</tr>
<tr>
<td>Unit ownership</td>
<td>Yes</td>
<td>Ownership in the BB&amp;T SBIC funds is represented by partnership interests that represent a specifically identifiable portion of the net assets of the investment company, subject to certain earn-out provisions stipulated in the operating agreement.</td>
</tr>
<tr>
<td>Pooling of funds</td>
<td>No</td>
<td>BB&amp;T holds 99% of the BB&amp;T SBIC funds, with the remaining 1% held by the unaffiliated general partner as allowed under SBA licensing and regulatory requirements for Small Business Investment Companies.</td>
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<tr>
<td>Fair value management</td>
<td>Yes</td>
<td>The BB&amp;T SBIC funds are managed on a fair value basis.</td>
</tr>
<tr>
<td>Reporting entity</td>
<td>Yes</td>
<td>The BB&amp;T SBIC funds provide financial results related to investment activities to its investors (i.e., BB&amp;T and the general partner).</td>
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</tbody>
</table>
The BB&T SBIC funds clearly meet five out of the six criteria outlined in the exposure draft. However, by virtue of the fact that the “pooling of funds” criterion would not be met, they would not be considered an investment company as the proposal is currently written. As a result, the funds would be required to evaluate each investment within the fund to determine the appropriate accounting methodology to apply (i.e., consolidation, equity-method or cost basis). Given the nature of the investments typically made by the BB&T SBIC funds, we believe that some portion of the investments would need to be consolidated and the remainder would be accounted for using the equity method of accounting. As more fully described below, we believe that such an accounting approach would not be appropriate for these investments.

Regulatory reporting required by the SBA must be prepared in accordance with accounting principles established by the Small Business Investment Act of 1958 (“the Act of 1958”).

The BB&T SBIC funds are required to comply with various regulatory requirements of the SBA, including but not limited to annual financial reporting requirements. Financial reporting required by the SBA must be prepared in accordance with accounting principles established by the Act of 1958, which requires that investments be carried at fair value with changes in fair value recorded in partner’s capital. We believe this requirement provides a clear indication that from the perspective of the SBA, fair value accounting represents the most appropriate basis of accounting for SBIC financial reporting.

As a result, if the exposure draft were adopted as written, the BB&T SBIC funds would be required to maintain financial reporting that was prepared using two measurement bases for each investment (i.e., fair value accounting for regulatory purposes and the applicable accounting methodology as deemed necessary for consolidated financial reporting purposes). We do not believe that the requirement to maintain two measurements bases for each investment is in the best interests of our shareholders or the SBIC program.

As noted in paragraph BC 9 of the Background Information, Basis for Conclusions, and Alternative View section of the exposure draft, the Board appears to recognize the challenges associated with these types of situations:

The FASB recognizes that defining an investment company on the basis of U.S. regulatory requirements is not convergent with the IASB’s proposal, but this approach would avoid situations in which an entity would be required to present assets and liabilities under two measurement bases because it is considered an investment company for regulatory purposes but not for U.S. GAAP financial reporting purposes.

We support the Board in their efforts to ensure that investment companies are not required to prepare financial information using two measurement bases. However, we believe the means for achieving this objective should be broadened such that SBICs
would appropriately be classified as an investment company upon adoption of the new investment company accounting standards update.

**Consolidating the financial results of SBIC fund investees, or requiring that the equity method be applied to such investments, would not provide meaningful information to BB&T’s financial statement users.**

BB&T’s investments in the SBIC funds were made in order to earn a return from capital appreciation and investment income on the underlying investments. In most circumstances, BB&T SBIC fund investments are made in connection with buyout, acquisition, growth or recapitalization transactions. Given the nature of these types of investments, management is primarily focused on the ability of the investee management team to deploy capital in a manner that will result in growth, whether organic or through acquisition, which will increase the enterprise value of the investee, as opposed to being focused on the short-term operating results of the investee. As a result, we believe that financial statement users are much more interested in financial information that provides a timely and representative depiction of the SBIC fund’s investment (i.e., the fair value of the fund’s underlying investments), than in the operating results of the investees from period to period.

**The cost and complexity associated with consolidating the financial results of SBIC fund investees significantly outweigh the benefits that would be derived from such information.**

Given the number of investments held by the BB&T SBIC funds, we believe the costs that would be incurred in connection with either the consolidation of, or application of the equity method accounting to, investee operating results would be substantial. Either method of accounting for such investments would require a detailed analysis of the activity between the investee and investor in order to ensure that all inter-company activity is appropriately eliminated (i.e., interest expense/income, dividends, etc.) and other analyses necessary to ensure that consolidated results appropriately reflect the investee’s results of operation for the period.

We believe that it is important to highlight that the consolidation of investee results (or the application of the equity method of accounting in situations where we do not hold a controlling interest) would likely be applied on a lag basis, as a result of investee accounting systems that have not been designed to comply with public reporting requirements of the United States Securities and Exchange Commission. In addition, we foresee significant challenges related to assessing the adequacy of investee internal controls and conforming investee accounting policies to those of the parent.
The Boards concerns related to the use of investment company structures to achieve particular accounting consequences could be addressed through other means.

Paragraph 24 of the Background Information, Basis for Conclusions, and Alternative View section of the exposure draft states the following with respect to the pooling of funds criterion:

The Boards were concerned that without such a requirement, an investment company could be inserted into a larger corporate structure to achieve a particular accounting outcome, while the parent could own almost all of that investment company.

While we understand the Board’s concern related to the potential for structured transactions that are designed to achieve a particular accounting outcome, we believe the proposed solution outlined in the exposure draft has significant unintended consequences. In addition, we believe that it is important to highlight that the pooling of funds criterion could similarly be used by reporting entities to achieve a particular accounting outcome (i.e., avoidance of fair value reporting) by creating an entity that meets substantially all of the investment company criteria outlined in the exposure draft, but that does not meet the pooling of funds criterion.

As a means of providing constructive feedback on the Board’s proposal, we have summarized certain changes to the exposure draft that could potentially address the concerns outlined in this letter, while at the same time provide a reasonable basis for identifying entities that should be considered investment companies for accounting purposes.

Consider broadening the scope of entities that are considered investment companies without regard to the six criteria outlined in the exposure draft.

As previously noted, we agree with the Board related to their determination that an investment company should not be required to prepare financial information using two separate measurement bases. While the exposure draft attempts to address this issue through its conclusion that all entities regulated under the Investment Company Act of 1940 are considered investment companies, we believe that this language should be broadened to include other types of regulated entities that are required to prepare financial information on a fair value basis.

Notwithstanding our concerns related to the application of the exposure draft to our SBIC investments, we believe that the use of more generic language (i.e., language that does not specifically reference a portion of the U.S. regulatory framework) represents a more reasonable approach to take in light of the Boards’ stated objective of achieving convergence related to this issue. As a result, we recommend the Board incorporate a provision that provides investment company classification to all entities that are subject to regulatory oversight that requires fair value reporting.
Consider the “pooling of funds” criterion a rebuttable indicator (and not a requirement) that should be considered in the context of identifying investment companies.

We believe that certain of the criteria outlined in the exposure draft represent solid, principles-based factors that may be used to appropriately identify investment company entities that should be accounted for on a fair value basis, including the “nature of investment activities” and “fair value management” criteria. Further, we understand why certain other rules-based criteria should be met in order to classify an entity as an investment entity, including the “express business purpose,” “unit ownership” and “reporting entity” criteria. While we believe that the “pooling of funds” criterion could be indicative of an entity that should be considered an investment company, we do not believe this factor is determinative and therefore believe that it should not be a required element.

As noted above, we understand the Board has concerns related to investment companies being inserted into a larger corporate structure to achieve certain accounting consequences. While we do not have insight into the Board’s specific concerns, we can speculate that the Board is concerned that reporting entities would attempt to structure entities such that these “investment companies” hold investments in operating companies of related parties that would not otherwise qualify for presentation on a fair value basis. To the extent this is the Board’s primary concern, we believe that it would be appropriate to institute a prohibition against an investment company’s investment in related entities as a means of addressing the Board’s concerns.

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

Very truly yours,

Henry R. Sturkie, III
Assistant Corporate Controller