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August 10, 2015

Technical Director
File Reference No. 2015-270
Financial Accounting Standards Board
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# Proposed Accounting Standards Update: Compensation – Stock Compensation (Topic 718) Improvements to Employee Share-Based Payment Accounting

We appreciate the opportunity to respond to the proposed Accounting Standards Update entitled *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-based Payment Accounting* ("the Exposure Draft"). BB&T Corporation and its subsidiaries ("BB&T") offer full-service commercial and retail banking and additional financial services such as insurance, investments, retail brokerage, corporate finance, treasury services, international banking, leasing, and trust management.

BB&T supports the Board in its effort to reduce the complexity in accounting for share-based payments. From BB&T's perspective, the most significant aspects of the Exposure Draft are:

1) All excess tax benefits and tax deficiencies will be recorded in the income statement with corresponding changes in the classifications within the cash flow statement.
2) Entities will have the option to estimate the number of share-based awards expected to vest or to recognize forfeitures as they occur.
3) The threshold to qualify for equity classification will be expanded to permit withholding up to the employee's maximum individual statutory rate.

**Question 1:** Do you agree that the proposed amendments result in a reduction (or potential reduction) of cost and complexity while maintaining or improving the usefulness of information provided to users of financial statements? If not, why?

BB&T supports these proposed changes. We believe the proposed changes provide relief in both cost and complexity to the financial statement preparers. The current requirement to estimate forfeitures is very time consuming while providing no utility. In addition, revising the tax withholding limit to the maximum statutory rate should provide employees much relief as using the minimum rate frequently resulted in underpayments that require the employee to make interim tax payments or possibly incur tax penalties.

**Question 2:** Should excess tax benefits and tax deficiencies be recognized in the income statement? If not, why, and are there other alternatives that are more appropriate? Should an entity delay recognition of an excess tax benefit until the benefit is realized through a reduction to taxes payable? If yes, why?

BB&T believes the proposal to recognize all excess tax benefits and tax deficiencies in the income statement immediately, simplifies the accounting with the elimination of the APIC pools and improves the usefulness of the financial statements which will more closely align with the substance of the transactions.

**Question 3:** Should the effect on tax cash flows related to excess tax benefits be classified as an operating activity on the statement of cash flows? If not, what classification is more appropriate and why?

BB&T believes it is appropriate to classify the excess tax benefits on the cash flows as an operating activity as this is consistent with compensation expense to which the benefits are closely related.

**Question 4:** Should entities be permitted to make an accounting policy election either to account for forfeitures when they occur or to estimate forfeitures? If not, why?

Generally, we do not believe that accounting standards should provide multiple alternatives that allow divergent accounting practices as that may limit the comparability of the financial statements between entities. However, in this circumstance, we do not believe that the two methods produce significantly different results. Accordingly, we support allowing an accounting policy election.

**Question 5:** Is the proposed expansion of the exception to liability classification related to the amount withheld for employee's taxes appropriate? If not, is there another exception that is more appropriate and why?

BB&T supports the proposed expansion of the exception to the liability classification related to the amount withheld for employee's taxes. This will better align the substance of the transaction with the presentation within the financial statements and is in the best interest of employees. Providing this benefit to employees does not change the position of the company that the employee is being paid through the issuance of stock.

**Question 6:** Should the cash paid by an employer to the taxing authorities when directly withholding shares for tax-withholding purposes be classified as a financing activity on the statement of cash flows? If not, what classification is more appropriate and why?

Classifying cash paid by an employer to the taxing authorities when directly withholding shares for tax-withholding purposes as a financing transaction would add undue complexity to the preparation of the cash flow statement without providing a significant benefit to the user. Further, while the stock is being withheld to satisfy the withholding requirement, it is not the Company using the stock as a financing method but rather the employee. The Company is simply facilitating the conversion of the award to cash and paying the withholding consistent with any other withholding amounts currently classified as operating activities. Classifying these costs as an operating activity would be consistent with other withholding amounts while also eliminating the added complexity.

**Question 7:** When assessing the classification of an award with a repurchase feature that can only be exercised on the occurrence of a contingent event, should a contingent event within the employee's control be assessed in the same manner as a contingent event outside the employee's control? If not, why should there be a difference in the assessment?

BB&T believes it is appropriate to assess a contingent event within an employee's control consistent with a contingent event outside the employee's control.

**Question 8:** Is the practical expedient for nonpublic entities to estimate the expected term of all awards with performance conditions that affect vesting or service conditions appropriate? If not, are there other practical expedients that are more appropriate and why? Should the expedient be limited to nonpublic entities?

Accounting standards are set through a due diligence process designed to determine the best practice. We do not believe it is appropriate to artificially introduce accounting divergence by treating public and nonpublic entities differently. If a practical expedient is deemed appropriate, then it should be available to all entities.

The expected term of a stock option can have a significant effect on the value of that option. Accordingly, we believe it is appropriate that entities use their best estimate of the expected term when valuing options. We believe it would be reasonable to allow the mid-point between vesting and contractual periods in the absence of better information.

**Question 9:** Should nonpublic entities be allowed to make a one-time election to switch from measuring liability-classified awards at fair value to intrinsic value? If not, why? While not proposed, should the Board consider making the ability to elect intrinsic value an ongoing election alternative for nonpublic entities?

No further comment.

**Question 10:** Are the transition requirements for each area appropriate? If not, what transition approach is more appropriate?

The transition requirements included in the Exposure Draft appear reasonable, providing the right balance between the complexity to implement and the usefulness of the information provided to the financial statement users.

**Question 11:** How much time will be necessary to adopt the amendments in this proposed Update? Should the amount of time needed to apply the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities?

Considering the changes within the Exposure Draft are simplifications that should not require significant system enhancements or processes to be put in place, we do not believe significant time is needed to adopt the amendments as currently presented within the Exposure Draft. Therefore, we suggest an effective date of fiscal years beginning after December 15, 2016, with early adoption permitted.

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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,

/s/ Brett Casey