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Technical Director – File Reference 1225-001 Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

## **Proposed Statement of Financial Accounting Standards**

# "Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140"

We appreciate the opportunity to comment on the above-referenced proposed amendment to Statement of Financial Accounting Standard No. 140. BB&T Corporation and its subsidiaries 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. With over \$105 billion in assets, BB&T Corporation is the nation's ninth largest financial holding company.

We appreciate the Board's efforts to clarify the conditions under which a qualifying special-purpose entity (QSPE) is required to achieve sale accounting, improve consistency in the application of Statement 140, and address other issues related to transfers of financial assets in order to improve the comparability of financial statements.

### **Isolation of Transferred Financial Assets**

We agree with the language in the draft revising ¶27B that states "a true sale opinion is **often** required to support a conclusion that transferred financial assets have been isolated" (emphasis added). We believe this will provide the appropriate level of assurance that assets are legally isolated while still providing transferors the ability to minimize costs by not obtaining a legal opinion in situations where there is a reasonable basis to conclude that the opinion would be given if requested. In addition to the example provided in ¶27B regarding when a transferor would not be required to obtain a legal opinion, we believe the Board should also note that a transferor may rely on a legal opinion provided to a transferee for a transaction with the same facts and circumstances.

### **Involvement in QSPE**

We believe the revised language in ¶35e and ¶45A could be interpreted differently and should be clarified. ¶45A notes "Opportunity to obtain a more-than-trivial incremental benefit refers to a party's opportunity, as a result of holding a combination of rights or obligations, to enhance its rights or to minimize its obligations related to the qualifying SPE in comparison to the opportunities associated with the same rights or obligations if each right and each obligation were held by separate, unrelated parties". Some believe this would preclude entities from derecognizing transferred assets if the transferor or any of its affiliates provided any of the types of involvements noted in the draft, regardless of the terms and conditions. Others believe it is acceptable for the transferor to provide these

types of involvements to the QSPE if they are provided with similar terms as in an arm-length transaction. ¶45A(a) notes this exclusion for servicers of financial assets. We believe that if all of the requirements of ¶35 (a)-(d) are met and the assets are legally isolated from the transferor, the QSPE is in the same economic position regardless of which entity provides these types of involvements. We believe the transferor's performance of these types of activities should not affect the QSPE status if they include only terms and conditions customarily included in arms-length transactions. In addition, there may be instances where parties other than a transferor would have a combination of involvements in a QSPE. Under the proposal, this too would disqualify the entity from being a QSPE and could require the transferor to recognize the assets. We believe the Board should further clarify that the existence of a combination of involvements held by a single party would not prevent an entity from being a QSPE.

#### **Rollovers of Beneficial Interests**

Under certain circumstances, we believe the rollovers of a QSPE's beneficial interests should not prevent derecognizing assets previously recorded as a sale by a transferor. For example, a QSPE holds long-term municipal bonds that are financed by issuing short-term securities. As these securities become due, the investors have the option to renew their investments. If an investor elects not to renew, the security is remarketed and the proceeds used to pay the original investor. If for any reason the QSPE is unable to immediately issue replacement beneficial interests to investors, the original investor is repaid by a loan drawn under a prearranged line of credit. In many cases the transferor of the long-term bonds provides the liquidity facility and remarkets the short-term securities. The terms and conditions of the liquidity facility and remarketing of the securities are specified in the legal documents establishing the QSPE and prohibit the transferor from obtaining and holding more than 25% of the securities at a given time. The documents state that the securities are to be remarketed at a market index rate. These terms and conditions are agreed to by the independent security holders prior to their purchase of the securities and may only be changed with their consent. Under such circumstances, we believe the provision of the liquidity facility or the remarketing of the beneficial interests creates no significant incremental benefit to a transferor and should not affect the status of the QSPE.

In addition, it should be noted that the remarketing of the securities is not treated as a reissuance for securities or tax law purposes.

If this provision is not revised, we agree with the proposed transition period for a formerly qualifying SPE to allow it to continue to be considered a QSPE until the latter of six months after the effective date of the Statement or until it has rolled over a majority of its beneficial interests.

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Thank you for the opportunity to express our views. If you would like discuss our comments, please call Dale Slate at 336-733-3006.

Very truly yours,

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