

From: Richards.Ryan [<mailto:Ryan.Richards@SunTrust.com>]

Sent: Friday, October 03, 2014 6:30 PM

To: Thomas Boemio

Subject: A couple of items for your consideration

Hi Tom,

It was great to catch up. As discussed, would be interested in your take on the following:

- Treatment of written options under Schedule HC-R, Line Item M1 "Current credit exposure across all derivative contracts covered by the risk-based capital standards"
 - Prior to recent revisions, there was an explicit statement that "The following types of derivative contracts are not covered by the risk-based capital standards... (3) all written option contracts except for those that are, in substance, financial guarantees".
 - This statement re: the treatment of written option contracts was dropped in the revised versions of the Call Report and Y-9C
 - What is the current view regarding the treatment of written options under the risk-based capital standards?
- Treatment of repo-style transactions on Schedule RC-R (Item No. 16)
 - The Federal Register notes that, under the final Basel III rule, a banking organization is required to hold risk-based capital against all repo-style transactions, regardless of whether they generate on-balance sheet exposures.
 - Footnote 17 of the (draft) reporting instructions for Schedule RC-R states that "Although securities sold under agreements to repurchase as reported on the balance sheet (Schedule RC) as liabilities, they are treated as off-balance sheet items under the regulatory capital rules."
 - Wanted to confirm the intent to hold capital against these "off-balance sheet items" (presumably the risk related to the return of the security collateral) despite the fact that the pledged security remains on the balance sheet for accounting purposes and would therefore attract a separate on-balance sheet risk weighting

Happy to discuss further, if needed.

Thanks,

Ryan

Ryan Richards
Chief Accounting Officer & Assistant Controller
SunTrust Banks, Inc.
303 Peachtree Street NE
Atlanta, Georgia 30308
Office: (404) 813-2741