BB&T

BB&T Corporation

150 South Stratford Road (27104)
P.O. Box 1290
Winston-Salem, NC 27102

November 30, 2011

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 37

Dear Chairman Doty:

I am writing this letter on behalf of the Audit Committee and Board of Directors of BB&T Corporation, a New York Stock Exchange listed company. We appreciate the opportunity to provide feedback to the Public Company Accounting Oversight Board ("PCAOB" or "the Board") on PCAOB Rulemaking Docket Matter No. 37 ("the proposal"). While auditor independence, objectivity and professional skepticism should represent a significant focus of the PCAOB, we believe that the negative consequences associated with requiring mandatory auditor rotation, which include decreased audit effectiveness in the early years of an auditor's tenure, and increased direct and indirect costs associated with rotating financial statement auditors, far outweigh the potential benefits of adopting such an approach. In addition, we believe that the adoption of the proposal would undermine the relationship between the audit committee and its financial statement auditors by establishing arbitrary time limits on the relationship and significantly hindering the audit committee's ability to determine when a change in financial statement auditor is necessary.

As an alternative to the mandatory auditor rotation proposal, we believe that it would be appropriate to evaluate whether incremental changes to the PCAOB inspection process have the potential to drive enhanced professional skepticism on the part of financial statement auditors. While we do not have visibility into the Board's current inspection process, we believe the following procedures should be considered to the extent they are not currently being performed:

- Audit engagement selection process – we believe the Board should incorporate consideration of an audit firm's tenure with a client into the risk-based approach used to select audit engagements that will be subject to the inspection process. The results of these inspections could then be compared to the results of the inspection process as a whole to determine whether there is a measurable decrease in audit effectiveness in situations where the audit firm has a long standing relationship with the client.

- Enhanced procedures related to professional skepticism – we believe the Board should devote additional resources to the development of inspection procedures that are responsive to identifying issues related to a lack of professional skepticism. Such procedures may include evaluation of the underlying reasons for engagement personnel turnover below the partner level, focused interviews with all levels of the engagement team (i.e. not solely the partner or senior manager level), reviews of email and other correspondence between the engagement team and client, etc.

We believe the types of incremental changes described above represent a pragmatic approach for achieving the PCAOB's stated goal of enhancing auditor independence, objectivity and professional skepticism. While the recommendations noted above are not intended to be all encompassing, we believe they illustrate the potential for improvements related to professional skepticism that could be achieved, while avoiding the risks and costs associated with the adoption of mandatory auditor rotation or one of the other alternatives outlined by the PCAOB in its proposal (i.e. mandatory re-tendering, joint audits, etc.), which we have discussed in greater detail as follows.

As previously noted, we believe that mandatory audit rotation will have a negative impact on the effectiveness of financial statement audits, particularly during the transition period from one audit firm to the next. While we believe that audit firms would make every effort to ensure the success of first year audit engagements, we believe that the absence of prior experience with a given client places the audit firm at a distinct disadvantage in terms of evaluating the judgments inherent in the accounting estimates reflected in a reporting entity's financial statements, ensuring appropriate financial statement disclosures are reflected in a company's public filings, and communicating the results of the audit to the audit committee.

In addition, we believe that it is important to highlight that a public company's decision to retain a specific audit firm may be driven in part by specialized industry experience (i.e. audit firms with appropriate financial services industry experience), the ability of an audit firm to serve a multi-national entity (i.e. geographical reach of an audit firm) or relative strength of an audit firm within a given market (i.e. absence of qualified competitors in small to mid size markets). We believe the requirement to rotate auditors after a specified period of time has the potential to require a company to engage an audit firm that does not have the requisite knowledge and experience.

We also have concerns related to the potential costs associated with the adoption of a mandatory audit rotation approach, and the distraction inherent in transitioning from one audit firm to the next. From a cost perspective, we believe that mandatory audit rotation will inevitably lead to higher audit fees. We have not spent a considerable amount of time evaluating the costs associated with transitioning to a new auditor. However, we believe that 20% is a conservative estimate of the increase in audit fees that would be expected if the proposal were approved as written.

Perhaps more troubling than the increase in audit fees are the indirect costs associated with transitioning from one auditor to the next. We believe that a public company's accounting staff would be required to spend a considerable amount of time "educating" the new audit firm, which likely would result in less time devoted to evaluating the accounting impact of complex accounting transactions, identifying emerging business or accounting risks, and evaluating the sufficiency of disclosures reflected in public filings. From an overall perspective, we believe that it is reasonable to assume that routinely transitioning from one audit firm results increases the risk of a material misstatement.

We also believe that mandatory audit rotation undermines the relationship between a company's audit committee and its auditors. A company's audit committee should retain the authority to make decisions regarding the suitability of its financial statement auditors, with such decisions based on an objective assessment of the audit firm's performance. The decision to retain or terminate a relationship should not be impacted by the passage of an arbitrary time period (i.e. five years).

In addition, we believe the Board should consider how frequent auditor changes would be perceived by financial statement users. Whereas auditor changes currently have the potential to send signals to investors regarding the relationship between a public company and its auditors, the proposal has the potential to mask problems with a company's relationship with its auditor (i.e. auditor changes would be expected and therefore changes would likely draw less attention from financial statement users).

While this letter has focused on the mandatory auditor rotation provisions of the proposal, we understand that the Board is considering certain other alternatives. With respect to the potential for joint audits, we have significant concerns related to the efficiency and effectiveness of such an approach, not to mention the potential for increased costs. Consistent with our views related to mandatory auditor rotation, we are not convinced that the benefits of mandatory re-tendering justify the time and effort required to undertake such an approach.

We also have concerns regarding the potential for requiring "audit-only" firms. We believe that currently permissible non-audit services provided by a financial statement auditor frequently provide the auditor with additional valuable insight into a company's business and related business risks. From our perspective, the Sarbanes-Oxley Act of 2002 appropriately addressed concerns related to the scope of services provided by financial statement auditor, and additional restrictions on the scope of such services would be counterproductive.

In summary, we urge the Board to consider an alternative approach to enhancing professional skepticism within the audit industry. We believe such enhancements may be achieved by making incremental improvements to the inspection process, as opposed to imposing a mandatory auditor rotation requirement on all public companies. In the absence of empirical data indicating that mandatory auditor rotation results in benefits that outweigh the potential risks and increased cost, we urge the Board to withdraw its proposal.

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

Very truly yours,

Jennifer S. Banner