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LETTER OF COMMENT NO. 32

March 25, 2009

Technical Director
Financial Accounting Standards Board
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File Reference: Proposed FSP FAS 115-a, FAS 124-a and EITF 99-20-b

On behalf of The PNC Financial Services Group, Inc., we are respectfully submitting this letter expressing our support for the proposed changes to the accounting guidance regarding the recognition and presentation of other-than-temporary impairment (OTTI). We commend the FASB for addressing this most critical issue.

While we continue to support the fair value concept to measure financial instruments, the current model regarding recognition of an OTTI charge through earnings due to the market liquidity issues is inconsistent with the expected loss concept prescribed elsewhere in GAAP. The extent and degree of the current global economic crisis and its impact on debt and equity markets has highlighted the unintended consequences associated with the current accounting guidance for OTTI. We agree with the proposal of a model that would require recognizing impairments through income related only to estimated credit losses as long as the entity does not intend to sell the security and it is not likely that an entity would be required to sell the security prior to recovery. This change is consistent with the impairment model for loans held for investment under SFAS 114, *Accounting by Creditors for Impairment of a Loan*, and also provides the important distinction in the income statement for changes in value between a security the entity intends to hold versus one it intends to sell. We also agree with recognizing any remaining difference between fair value and the cost basis in other comprehensive income (OCI). This would preserve the fair value concept prescribed for equity and debt securities. The proposal would also align the impairment model for securities with international accounting standards and provide more meaningful disclosures to differentiate changes in fair value recorded through OCI versus those recorded through earnings.

Again, we commend the FASB on proposing a workable and well-timed solution to the practical challenges in the current guidance on the measurement of impairment. The end result should serve the users of financial statements well.

Sincerely,

Richard J. Johnson

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