



February 15, 2012

Ms. Susan Cospers
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-05116

Re: File Reference No. 2011-220, *Proposed Accounting Standards Update, Consolidation – Principal versus Agent Analysis (Topic 810)*

Dear Ms. Cospers:

The PNC Financial Services Group, Inc. ("PNC") appreciates the opportunity to comment on *Proposed Accounting Standards Update, Consolidation – Principal versus Agent Analysis (Topic 810)* (the "ED"). We support the Board's efforts to clarify when a decision-maker functions as a principal versus an agent and, in general, agree with the proposal. Below we offer our recommendations which we believe may help clarify the proposed guidance and reduce confusion with regard to conducting a principal versus agent analysis.

Our recommendations are as follows:

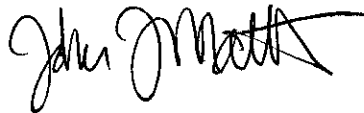
- Provided the appropriate analysis is conducted with regard to decision-making abilities, kick-out rights, and an evaluation of interests held, our interpretation of the proposed standard is that an agent cannot be the primary beneficiary of a VIE or limited partnership. We, therefore, believe that when an entity determines it is an agent, that entity should not be required to perform more analysis with regard to the consolidation conclusion of a VIE or limited partnership. If this is consistent with the Board's intent, we recommend this point be made clear in the proposed standard by including language to that effect.
- The proposed guidance requires that the analysis of principal versus agent consider whether the compensation of the decision-maker is commensurate with services provided; and whether the compensation agreement includes only terms, conditions, or amounts that are customary for similar services negotiated at arm's length. In addition, the proposed guidance requires that an entity's possible other interests be examined for the entity's exposure to variability of returns from those interests. Because it appears the guidance regarding the analysis of a compensation interest and the guidance regarding evaluation of other interests is the same, we suggest this guidance be presented once and referred to as needed versus repeating throughout the standard.
- If a decision-maker determines its compensation is commensurate with services provided, includes only customary terms and conditions applicable to similar services negotiated at arm's length, and the decision-maker holds no other interests in an entity, we believe the decision-maker can conclude that it is an agent. Provided the compensation arrangement meets the

prescribed conditions, we believe the magnitude and the variability of that compensation arrangement is not relevant to the principal versus agent conclusion and is not relevant to the primary beneficiary conclusion. We recommend this point should be made clear in the proposed guidance.

- With regard to kick-out rights held by multiple parties, we agree that a decision-maker should assess factors such as the number of unrelated parties which hold kick-out rights, as well as the magnitude and variability of a decision-maker's interests held as compared to those of other parties. However, we believe that if based on these factors, a decision-maker determines that the kick-out rights held by multiple parties are substantive, that fact, in isolation, should be sufficient to determine that a decision-maker is an agent. We, therefore, suggest rewording paragraph 810-10-25-39E to make this point clear.

In addition to the points raised above, following are our responses to the Board's specific questions. We appreciate the FASB's request for feedback on this ED and appreciate the opportunity to share our views with the FASB staff. We welcome any questions or comments you may have. Please contact me with any questions about PNC's comments at 412-762-7546.

Sincerely,



John (JJ) Matthews
Director of Accounting Policy
The PNC Financial Services Group, Inc.

cc: Mr. Richard Johnson
Executive Vice President and Chief Financial Officer
The PNC Financial Services Group, Inc.

Mr. Gregory Kozich
Senior Vice President and Controller
The PNC Financial Services Group, Inc.

Question 1: When determining whether a decision maker is a principal or an agent, the proposed amendments require the analysis to consider the decision maker's overall relationship with the entity and the other parties involved with the entity. This analysis would be based on a qualitative assessment. Do you agree with this approach? If not, why?

We support a qualitative approach to assessing whether a decision-maker is a principal or agent.

Question 2: The evaluation of a decision maker's capacity would consider the following factors:

- a. The rights held by other parties
- b. The compensation to which the decision maker is entitled in accordance with its compensation agreement(s)
- c. The decision maker's exposure to variability of returns from other interests that it holds in the entity.

Are the proposed factors for assessing whether a decision maker is a principal or an agent appropriate and operational? If not, why? Are there any other factors that the Board should consider including in this analysis?

We agree that the proposed factors are appropriate and we believe these factors are operational.

Question 3: The proposed Update would require judgment in determining how to weigh each factor in the overall principal versus agent analysis. Do you agree that the proposed amendments, including the related implementation guidance and illustrative examples, will result in consistent conclusions? If not, what changes do you recommend?

Aside from our recommendations above, we agree with the proposed amendments. We believe the implementation guide and examples could be made clear to illustrate the points we have raised in our comments above.

Question 4: Should substantive kick-out and participating rights held by multiple unrelated parties be considered when evaluating whether a reporting entity should consolidate another entity? If so, do you agree that when those rights are held by multiple unrelated parties, they should not in and of themselves be determinative? If not, why? Are the guidance and implementation examples illustrating how a reporting entity should consider rights held by multiple unrelated parties in its analysis sufficiently clear and operational?

Per our comment above, we believe substantive kick-out rights held by multiple parties should be determinative.

Question 5: The proposed Update would not include a criterion focusing on the level of seniority of a decision maker's fees when evaluating the decision maker's capacity. Do you agree that the seniority of the fee relative to the entity's other operating liabilities that arise in the normal course of the entity's activities should not be solely determinative of a decision maker's capacity? If not, why?

We agree that fee seniority is not solely determinative of a decision-maker's capacity. We believe that the factors proposed with regard to compensation arrangements are appropriate in determining whether a decision-maker's compensation results in the decision-maker functioning as a principal versus an agent.

Question 6: The evaluation of a decision maker's capacity places more emphasis on the decision maker's exposure to negative returns (for example, an equity interest or a guarantee) than interests that only expose the decision maker to positive returns. When performing the principal versus agent analysis, should the assessment differentiate between interests that expose a decision maker to negative returns (or both negative and positive returns) from interests that expose the decision maker only to positive returns? If not, why?

We do not think it is necessary to place particular emphasis on negative or positive returns as the conclusion of whether a decision maker is a principal or agent is the key driver in determining the primary beneficiary. That is, if a decision maker is determined to be an agent, the decision maker cannot be the primary beneficiary of an entity regardless of the interest held. If a decision maker is determined to be a principal, the decision maker is likely the primary beneficiary of the entity, regardless of the interest held. We do believe, however, the guidance should be clear that circumstances may exist where power is shared among principals and no party consolidates an entity. Also, circumstances may exist where there is no power associated with an entity (i.e. it is "brain-dead"). In that circumstance, as well, no party may consolidate an entity.

Question 7: A reporting entity would be required to evaluate whether there has been a change in the decision maker's capacity by considering whether there has been a change in the purpose and design of the entity. For example, the purpose and design of the entity may change if the entity issues additional equity investment that is at risk to the decision maker. Do you agree with this proposed requirement? If not, please specify when this relationship should be reassessed and why.

We agree with the proposed requirement regarding reassessment of a decision-maker's capacity.

Question 8: The Board decided to include the principal versus agent assessment as a separate analysis within the overall consolidation assessment, rather than replacing the current guidance for evaluating whether a decision-making arrangement is a variable interest (and accordingly, a principal) with the revised principal versus agent analysis. The Board believes that if an entity's fee arrangement does not meet the definition of a variable interest (for example, a nominal performance-based fee), the decision maker should not be required to continue the consolidation assessment. Do you agree? If not, why?

As discussed above, we agree that if a decision-maker's fee arrangement does not meet the definition of a variable interest, the decision-maker should not be required to conduct additional consolidation analysis.

Question 9: The Board expects the proposed principal versus agent guidance may affect the consolidation conclusions for entities that are consolidated as a result of the decision maker having a subordinated fee arrangement (for example, collateralized debt obligations). However, the Board does not otherwise expect the proposed amendments to significantly affect the consolidation conclusions for securitization entities, asset-backed financing entities, and entities formerly classified as qualifying special-purpose entities. Do you agree? If not, why?

We believe that consolidation conclusions for most entities will be unchanged by the proposed guidance.

Question 10: Update 2010-10 was issued to address concerns that some believe that the consolidation requirements resulting from Statement 167 would have required certain funds (for example, money market funds that are required to comply with or operate in accordance with requirements that are similar to those included in Rule 2a-7 of the Investment Company Act of 1940) to be consolidated by their investment managers. The amendments in this proposed Update would rescind the indefinite deferral in Update 2010-10 and would require money market funds to be evaluated for consolidation under the revised guidance. The Board does not intend the application of the proposed Update to result in money market funds being consolidated. Do you agree that the application of the proposed Update will meet this objective? If not, why and what amendments would you recommend to address this issue?

We believe the proposed investment company entity guidance, along with our recommendations per our comment letter on that topic, and this ED should result in money market funds not being consolidated.

Question 11: For purposes of applying the proposed principal versus agent guidance, the proposed amendments would require a reporting entity to include the decision maker's direct and indirect interests held in an entity through its related parties. Do you agree with the requirement that a decision maker should include its proportionate indirect interest held through its related parties for purposes of applying the principal versus agent analysis? Why or why not?

We agree that an analysis of interests held in an entity should include those of related parties.

Question 12: The amendments in this proposed Update would require a general partner to evaluate its relationship with a limited partnership (or similar entity) by applying the same principal versus agent analysis required for evaluating variable interest entities to determine whether it controls the limited partnership. Do you agree that the evaluation of whether a general partner should consolidate a partnership should be based on whether the general partner is using its decision-making authority as a principal or an agent?

We agree that the conclusion of whether a general partner should consolidate an entity should incorporate an analysis of its decision-making authority.

Question 13: Do you agree with the proposed transition requirements in paragraph 810-10-65-4? If not, how would you propose to amend those requirements, and why? Please provide an estimate of how long it would reasonably take to implement the proposed requirements.

We agree with the proposed transition requirements.

Question 14: Should early adoption be permitted? If not, why?

We support early adoption of this standard provided the adoption date is consistent with that of the proposed investment company entity and investment property entity guidance.

Question 15: Should the amendments in this proposed Update be different for nonpublic entities (private companies or not-for-profit organizations)? If the amendments in this proposed Update should be applied differently to nonpublic entities, please provide a rationale for why.

In general, we do not believe it is good practice to create different application criteria for public and nonpublic entities.