January 31, 2011

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-05116

File Reference: 1890-100, Discussion Paper, Effective Dates and Transition Methods

Dear FASB Board Members and Staff:

PNC Financial Services Group, Inc. ("PNC"), one the nation’s largest diversified financial services organizations, appreciates the opportunity to comment on the Discussion Paper, Effective Dates and Transition Methods ("the Discussion Paper", "the DP") which solicits feedback from stakeholders regarding the time and effort involved in adopting possible future accounting standards. The FASB has asked for feedback with regard to the following projects/proposed accounting standards:

- Accounting for Financial Instruments Including Measurement of Impairment and Accounting for Derivatives and Hedging
- Revenue Recognition
- Insurance Contracts
- Leases
- Comprehensive Income
- Financial Statement Presentation
- Financial Instruments with Characteristics of Equity

As stated in the DP we have considered the impact of these projects excluding the possible adoption of International Financial Reporting Standards ("IFRS"). Additionally, as noted in the DP, we agree that convergence to IFRS would add additional complexity and would impact our responses regarding time and effort. To reduce convergence complexity, we believe it is essential that any standard issued in final form should reflect convergence between IFRS and U.S. GAAP.

Without regard to the adoption of IFRS, many of the individual projects listed above, including financial instruments, insurance contracts, leases and financial statement
presentation, warrant a long adoption period due, in particular, to their operational complexity. Because these projects are dependent upon one another and require changes to systems, processes, controls, accounting and reporting, we believe the adoption of more than one standard will require a significant amount of time.

Accordingly, we strongly recommend prospective transition with a cumulative effect adjustment for all of these proposed standards. Under this scenario, and as further discussed below, we recommend a minimum of 5 years for implementation. Additionally, retrospective adoption, in many circumstances, would require preparers to reconstruct information which was not previously captured. For example, a retrospective application of Financial Statement Presentation would be extremely time and labor intensive and we do not believe the cost of retrospective implementation outweighs the possible reporting benefits. If the Board elects retrospective implementation, we believe we would need a minimum of one year of additional time for each year presented retrospectively. When considering the SEC reporting requirement to provide 5 years of Selected Financial Data, we would expect retrospective application to significantly increase the implementation time for any standard.

We believe it is important to synchronize the issuance dates of the proposed accounting standards because some proposed standards will have an impact on others. For example, we believe proposed accounting changes to Fair Value Measurement and Financial Instruments with Characteristics of Equity must be issued before or at the same time as the proposed accounting changes to Financial Instruments. Other proposed accounting may not be interrelated from a topical perspective, however, operational commonalities may exist which would allow for implementation efficiencies if the proposed changes could be considered at the same time. For example, if accounting for leases and financial instruments requires projections of expected cash flows, there may be system efficiencies to be realized in the adoption of these standards. Because of the overlap in topics and possible efficiencies in implementation, we recommend that all standards be issued in final form before the stated effective date of any standard.

Almost all of the proposed accounting standards will require us to find and train personnel, make process changes, and revise controls. And, importantly, we will need to develop or purchase systems to accommodate the accounting changes. For example, the implementation of Financial Instruments would require us to modify or develop loan servicing systems, credit systems to provide appropriate output for cash flow projections, valuation systems and a data warehouse. The intricacies and expansiveness of this effort cannot be underestimated. In this regard, we note that although the effective yield method under the former Statement of Financial Accounting Standards No. 91 has been effective since January 1, 1988, many financial institutions utilize spreadsheets in their accounting. This is due to the fact that system vendors and/or financial institutions have historically not developed integrated systems to perform this accounting. When considering the former Statement of Position 03-3, which incorporates credit via loan level cash flow estimations, in addition to the effective yield method, into its accounting model the issues surrounding a lack of systems is exacerbated. We expect operational difficulties to worsen under several of the proposed standards. For example, the lease accounting standard, as proposed, would require us to modify or acquire a front-end application; modify or develop a lease servicing system; reconfigure a data warehouse; modify data extracts and interfaces; and modify or acquire "backend" reporting systems. We are not aware of existing systems which
would accommodate all of the accounting changes in these proposed standards. Therefore, it is important to consider the lead time necessary for systems vendors to develop and field test such systems before such systems could be acquired and implemented. We also believe an effective date must recognize the lead time needed to find and train personnel. Because many entities will be competing for people and systems at the same time, we recommend any effective date accommodate the time that entities are "in line" to acquire necessary implementation resources.

In consideration of the topic overlaps and possible implementation efficiencies, we recommend all of the standards listed above have the same effective date. Because of the operational complexity of the proposed standards, we recommend a minimum of 5 years for implementation. As discussed above, we believe the implementation period must be increased by one year for each year of retrospective presentation required. Although we strongly believe in a single effective date for all standards, if the Board elects sequential effective dates, we recommend that effective dates be based upon industry by the topic with the most impact. Because it impacts all industries, the Financial Statement Presentation effective date should be first. For the financial services industry, because Financial Instruments is most applicable, we recommend that standard along with associated guidance such as Financial Instruments with Characteristics of Equity, be assigned the second effective date. Alternatively, for example, because Revenue Recognition might be most impactful to the construction industry, that standard would have the second effective date for that industry group. For the financial services industry, given the complexity of the financial instruments topic, we recommend a minimum of 3 years implementation time with an increase for any retrospective requirement. Financial instruments would be followed by Leasing, Insurance Contracts, and Revenue Recognition. The most complex of these standards – Leasing and Insurance Contracts – would require a minimum 2 year implementation period.

Our responses to the Boards' specific questions follow.

Q1. Please describe the entity (or the individual) responding to this Discussion Paper. For example:
   a. Please indicate whether you are primarily a preparer of financial statements, an auditor, or an investor, creditor, or other user of financial statements (such as a regulator). Please also indicate whether you primarily prepare, use, or audit financial information prepared in accordance with U.S. GAAP, IFRSs, or both.
   b. If you are a preparer of financial statements, please describe your primary business or businesses, their size (in terms of the number of employees or other relevant metric), and whether you have securities registered on a securities exchange.
   c. If you are an auditor, please indicate the size of your firm and whether your practice focuses primarily on public companies, private entities, or both.
   d. If you are an investor, creditor, or other user of financial statements, please describe your job function (buy side/sell side/regulator/credit analyst/lending officer), your investment perspective (long, long/short, equity, or fixed income), and the industries or sectors you specialize in, if any.
   e. Please describe the degree to which each of the proposed new standards will likely affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions
to their business and investors might explain the significance of the transactions to the particular industries or sectors they follow).

PNC is primarily a preparer of financial statements but is secondarily, a user and an investor. Many of the proposed new standards, including Financial Statement Presentation and Financial Instruments, will have a significant impact to PNC, the financial services industry, and many of the companies with which PNC does business.

Q2. Focusing only on those proposals that have been published as Exposure Drafts (accounting for financial instruments, other comprehensive income, revenue recognition, and leases):

   a. How much time will you need to learn about each proposal, appropriately train personnel, plan for, and implement or otherwise adapt to each the new standard?
   b. What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

As discussed in our general comments above, we believe it will take a minimum of 5 years to implement from the date those standards have been issued in final form, assuming prospective adoption is required. A significant amount of time and expense will be needed to develop, test, and implement computer systems; develop and implement internal controls; and find and train personnel. If retrospective adoption is required, one additional year of implementation time for each year that retrospective presentation will be needed to find and reconstruct the information necessary to apply retrospective application.

Q3. Do you foresee other effects on the broader financial system arising from these new standards? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

The implementation of new standards always requires an evaluation of the impact on regulatory and tax reporting requirements. It would be beneficial to financial statement preparers and users if the impact on regulatory and tax requirements is known prior to implementation. Therefore, we strongly recommend the Board work with banking regulators and tax authorities to consider the regulatory and tax impacts of the proposed standards when determining an appropriate issuance date.

Q4. In the context of a broad implementation plan covering all the new requirements, do you agree with the transition method as proposed for each project? If not, what changes would you recommend and why? In particular, please explain the primary advantages of your recommended changes and their affect on the cost of adapting to the new reporting requirements.

As discussed in our general comments above, we recommend prospective application with a cumulative effect adjustment as retrospective application significantly increases the time needed to implement the standards.

Q5. In thinking about an overall implementation plan covering all of the standards that are the subject of this Discussion Paper:

   a. Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would
your preferred approach minimize the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimizing disruption, or other synergistic benefits).

As discussed in our general comments above, we prefer a single date approach. We see the advantage of a single date approach as allowing preparers to take advantage of any operational efficiencies. In addition, a single date approach will provide preparers with the most flexibility in determining where to focus implementation efforts.

b. Under a single date approach, what should the mandatory effective date be and why?

As discussed in our general comments above, we believe that a minimum of 5 years would be necessary to implement under the single date approach, plus an additional year for each year that is required to be presented on a retrospective basis.

c. Under the sequential approach, how should the new standards be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new standards.

As discussed in our general comments above, we believe several standards overlap with regard to topic and/or operational changes. Therefore, we do not recommend a sequential approach. If the Board were to adopt a sequential approach, we believe Financial Statement Presentation should have the first effective date. This would be followed by Accounting for Financial Instruments, Fair Value Measurement, Financial Instruments with Characteristics of Equity, and any other projects (e.g. Netting of Financial Instruments) that impact the accounting for or presentation and disclosure of financial instruments. Thereafter, we recommend that Leasing, Insurance Contracts, and Revenue Recognition become effective.

d. Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.

As discussed in our general comments above, we believe a single effective date for all standards is the best approach as this would provide preparers with the maximum amount of flexibility.

Q6. Should the Board give companies the option of adopting some or all of the new standards before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?

We do not believe an early adoption option is appropriate. If some companies early adopt while others do not, the accounting will not be comparable, which we believe would not be beneficial to users of financial statements. We recognize that under a sequential adoption approach, with implementation dates based on industry group, financial statements between industry groups would not be comparable. However, we believe it is most important for financial statements to be comparable within industry groups. Allowing early adoption would potentially decrease such comparability.
Q7. For which standards, if any, should the Board provide particular types of entities a delayed effective date? How long should such a delay be and to which entities should it apply? What would be the primary advantages and disadvantages of the delay to each class of stakeholders (financial statement preparers, financial statement users, and auditors)? Should companies eligible for a delayed effective date have the option of adopting the requirements as of an earlier date?

No response.

Q8. Should the FASB and IASB require the same effective dates and transition methods for their comparable standards? Why or why not?

We believe that FASB and IASB should require the same effective dates for all new standards.

Q9. How does the Foundation’s ongoing evaluation of standards setting for private companies affect your views on the questions raised in this Discussion Paper?

No response.

*****

We appreciate the Board’s request for feedback on this matter and appreciate the opportunity to share our views with the Board and staff. We welcome any questions or comments you may have. Please contact me with any questions about PNC’s comments at 412-762-0490.

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.

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