November 22, 2016

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

File Reference No. 2016-310: Derivatives and Hedging (Topic 815) — Targeted Improvements to Accounting for Hedging Activities (“Proposed ED”)

Dear FASB Board Members and Staff:

The PNC Financial Services Group, Inc. (“PNC” or “we”) appreciates the opportunity to comment on the Proposed ED which has been issued by the Financial Accounting Standards Board (“the Board”) to improve financial reporting of hedging relationships and to make certain targeted improvements to simplify the application of the hedge accounting guidance. We applaud the Board’s efforts as the changes outlined in the Proposed ED will help to expand, simplify and provide more useful information compared to the current accounting guidance.

In summary we support the targeted changes that:

- Permit risk component hedging as this provides a reporting entity with additional opportunities to enter into qualifying accounting hedges;
- Refine the accounting for the hedged item in fair value hedges of interest rate risk as this makes it easier for an entity to measure changes in fair value of the hedged item;
- Recognize and present the effects of hedging instruments in the same income statement line item to better portray the economic results of an entity’s risk management activities; and
- Ease some of the operationally burdensome requirements by providing:
  - Flexibility in the timing of the initial quantitative assessment;
  - The option to perform subsequent assessments of hedge effectiveness qualitatively;
  - The ability to assume for the critical terms match method, that the hedging derivative matures at the same time as the forecasted transactions if both occur within the same 31-day time period; and
  - The ability to use the long-haul method for assessing hedge effectiveness if the short-cut method is no longer appropriate.

In addition, for cost effectiveness reasons, we support the modified retrospective transition method and the elections available to modify documentation for existing hedge accounting relationships without the need to redesignate the hedging relationships. As the targeted changes and implementation costs are not substantial, we believe that an effective date of one year from the date of issuance of the final
standard would be adequate. In addition, we believe that early adoption of the standard should be permitted.

While we generally support the Proposed ED, we have a few suggestions for your consideration which are outlined below.

**Subsequent Hedge Effectiveness Assessments**

We support the change to perform subsequent hedge effectiveness assessments qualitatively unless facts and circumstances change. However, more specific implementation guidance would be helpful such as providing examples of changes in facts and circumstances which would require subsequent quantitative hedge effectiveness assessments. Currently, we believe, as proposed, this change would not sufficiently encourage a reporting entity to simplify their process to perform subsequent hedge effectiveness assessments qualitatively due to the risks involved (i.e., the risk of not identifying a change in facts or circumstances at the time that it occurs).

In addition, when facts and circumstances change, and the entity has had to revert to quantitative assessments and has also been able to demonstrate after a period of time that the hedge accounting relationship continues to be highly effective, we recommend that the Board consider allowing an entity to revert back again to qualitative hedge effectiveness assessments for subsequent periods.

**Quantitative Hedge Accounting Goals**

The Proposed ED would require an entity to disclose quantitative goals, if any, that it set when developing its hedge accounting objectives and strategies and whether it met its goals. We note that the Board intended this disclosure to be limited to accounting hedges that have occurred in the current and prior reporting periods to avoid forward-looking information. We believe quantitative goals may be difficult to provide as these are likely to be broad measures, particularly for financial institutions, and which are likely to change based on the economic environment and other factors. In addition we believe if hedge accounting is material, the disclosures should focus on the qualitative objectives and the effect of hedge accounting on the financial statements instead of on the quantitative goals.

**Interim Disclosures**

Finally, we recommend the Board consider permitting an entity to use appropriate discretion when evaluating the disclosure requirements for interim reporting periods so that the disclosures in interim periods are more focused on significant changes and levels of activity compared to those disclosed in the prior annual period.

We appreciate the opportunity to share our views with the Board. We welcome any questions or comments you may have on this letter. Please contact me (412.762.1622) with any questions about PNC's comments.
Sincerely,

Ms. Lauren Belot  
Director of Accounting Policy  
The PNC Financial Services Group, Inc.

cc: Mr. John (JJ) Matthews  
Director of Finance Governance & SEC Reporting  
The PNC Financial Services Group, Inc.

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