February 29, 2016

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


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") as part of the disclosure framework project and we support the Board's efforts to improve the effectiveness of the fair value disclosures.

**Use of Discretion**
We support the Proposed ED which promotes the appropriate use of discretion by financial statement preparers when evaluating disclosure requirements, consistent with the proposed Accounting Standards Update, *Notes to Financial Statements* (Topic 235): Assessing Whether Disclosures Are Material ("Proposed Materiality ED"). We believe the proposed amendments will result in more effective, decision-useful information about fair value measurements as preparers would be able to use discretion to consider materiality and as a result this would lead to disclosures that are more relevant to users.

**Proposed Disclosure Eliminations**
We support eliminating disclosures which are either inconsistent with the proposed Statement of Financial Accounting Concepts: *Conceptual Framework for Financial Reporting – Chapter 8: Notes to Financial Statements* ("Proposed Concept Statement") that was issued to improve the effectiveness of disclosures through clearer communication of information that is most important to users, or because the disclosures are no longer deemed useful.

_**Transfers between Hierarchy Levels**—_ We support removing the requirements to disclose our policy related to the timing of transfers between the hierarchy levels, and also the requirement to disclose the amounts transferred between Level 1 and Level 2 and the reasons for those transfers. We acknowledge that while it is important to have a consistent policy for such transfers we agree that since Level 1 and Level 2 assets and liabilities are based on observable prices, such disclosures are less relevant as generally reduced measurement uncertainty exists.¹

¹ This aligns with the concepts in the Proposed Concept Statement relating to disclosures around measurement uncertainty – Refer to paragraph D27 and Decision Questions L13 and L14 in Appendix A.
Valuation Process – We support removing the requirement to disclose the valuation process for Level 3 fair value measurements from the notes to the financial statements as we agree that the current disclosure requirement of internal control procedures conflicts with the Board’s Proposed Concept Statement\(^2\). We believe disclosure of internal control procedures is outside the purpose of the notes to the financial statements.

Proposed Disclosure Modifications

Measurement Uncertainty - We support the proposal to clarify the requirement relating to the narrative description of the sensitivity of recurring Level 3 fair value measurements to changes in unobservable inputs that would change the measurement significantly as of the reporting date. We believe the current disclosure requirement leads preparers to disclose sensitivity to future changes in fair value. We also support the Board’s decision to not add a quantitative disclosure of the measurement uncertainty of Level 3 assets and liabilities as we are concerned about the usefulness of quantitative disclosures when they are aggregated by line item as currently presented. In addition, we agree that providing disclosures around reasonably possible alternative Level 3 inputs and/or the degree of measurement uncertainty of such Level 3 assets and liabilities would be operationally burdensome due to the inherent subjectivity and cost of obtaining information from third parties.

Timing of Future Liquidity Events for Investments using Net Asset Value – For investments that can never be redeemed, we support changing the disclosures about the timing of liquidity events to only apply when they have been communicated by the investee. Such disclosures are not an input to the fair value measurement of these investments and we agree that other disclosure requirements exist to help users assess the impact to the statement of cash flows.

Proposed New Quantitative Disclosures

Change in disclosure objectives - We note that the Proposed ED expands the scope of the disclosure objectives for fair value measurements to include Level 1 and Level 2 assets and liabilities. As Level 1 and Level 2 fair value measurements are based on observable prices, we believe the scope changes in the Proposed ED are not consistent with the Proposed Concept Statement, the objective and primary focus of which is to facilitate clearer communication of information that is most important to users. The general disclosure objectives should be more focused to provide users with information about assets and liabilities measured at fair value in order to assess the quality of earnings primarily due to the subjective nature of Level 3 fair value measurements.

Unrealized Gains and Losses for Level 1 and Level 2 Fair Value Measurements - The basis for conclusions in the Proposed ED states some users indicated that a disclosure of the change in unrealized gains and losses for the period is more beneficial because it provides information about the volatility of fair value measurements. We also note the Board is proposing this disclosure to provide the relationship between financial statement line items consistent with concepts in the Proposed Concept Statement as fair value measurement changes may be presented in several line items. However, we believe the additional disclosures being contemplated may not provide sufficient information about the volatility of the fair value measurements, as the relevant balance sheet positions and the context for the unrealized gains and losses would also be needed.

\(^2\) See the Proposed ED – Refer to paragraph BC50.
We recognize that fair value measurement changes may be presented in several line items and users may find it difficult to identify them. However, Level 1 and Level 2 financial assets and liabilities generally relate to items where extensive disclosure requirements currently exist, as the notes to the financial statements generally follow broad transactions such as those for investment securities, mortgage servicing rights, financial derivatives, and other comprehensive income. In addition, where Level 1 and Level 2 assets and liabilities are being used for hedging purposes, qualitative and quantitative disclosures currently exist to provide the user with more meaningful information about the relationship between transactions in order to help the user understand the overall impact to the financial statements. We believe additional effort would be required to rework the disclosures in order to provide context relating to the unrealized gains and losses of Level 1 and Level 2 assets and liabilities. In addition, we also believe the proposed changes would be operationally burdensome as our systems are not designed to track the levelling attributes for reporting purposes.

**Time Period Used to Develop Significant Unobservable Inputs for Level 3 Fair Value Measurements**

We do not believe the requirement in the Proposed ED to disclose the time period used to develop significant unobservable inputs would be effective and decision-useful information as these disclosures would generally be provided at an aggregated level. In addition, due to the nature of estimating fair value for these investments, adjustments to historical experience are common if certain events and/or transactions are considered outliers, and/or forward-looking information may also be considered. For the most part we believe this proposed disclosure requirement may only be relevant for a handful of significant unobservable inputs (e.g., the constant prepayment rate and loss severity assumptions).

**Retained Disclosures**

*Level 3 Rollforward* – We ask the Board to reconsider the requirement to provide the Level 3 rollforward for public entities as we believe the current disclosures tend to provide information at a fairly granular level which may not allow the user to focus on the more substantive items of activity. We would suggest that the disclosure be more focused on material items of activity which would be in line with the overall Proposed Concept Statement and Proposed Materiality ED.

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 Oversight & Policy  
The PNC Financial Services Group, Inc.

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