September 24, 2013

Mr. Russell G. Golden, Chairman
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 Accounting Standards Update, Presentation of Financial Statements (Topic 205), Disclosure of Uncertainties about an Entity’s Going Concern Presumption (the “proposed ASU”) which solicits feedback on the Financial Accounting Standards Board’s (“FASB’s”) proposal to provide guidance in U.S. generally accepted accounting principles (GAAP) about management’s responsibilities in evaluating an entity’s going concern uncertainties, and about the timing and content of related footnote disclosures.

Summary

We agree with the FASB that management has a responsibility to evaluate and disclose uncertainties about an entity’s ability to continue as a going concern. However, under the SEC’s current reporting requirements, registrants must evaluate and disclose within Management’s Discussion and Analysis (MD&A) the substance of information that the proposed ASU would now require within the footnotes of the financial statements. Moreover, the inclusion of this information within the footnotes exposes SEC registrants to potential legal liability for disclosing (or failing to disclose) forward-looking statements, where the safe harbor rules do not protect them.

In addition, the proposed quarterly evaluation is redundant for financial institutions, such as PNC, that are already required to conduct rigorous stress scenario capital tests on a semi-annual basis for the Federal Reserve and other banking regulators to assess the adequacy of our capital position. These tests are more than sufficient to affirm our position as a going concern.
Objective of the Proposed ASU

The primary objective of the proposed ASU for SEC registrants is to “reduce diversity in the timing, nature, and extent of footnote disclosures, and, in doing so, improve their timeliness and quality.” The Board acknowledges that SEC registrants are already required to disclose in its MD&A information about trends and uncertainties that are reasonably likely to have a material effect on the registrant’s liquidity, capital resources, and results of operations. In addition, the SEC’s regulations mandate disclosures about a registrant’s most significant risk factors. As a result, the Board acknowledges that “the proposed amendments would not present new or incremental information in an SEC registrant’s filing as a whole.”

We believe that the proposed ASU would essentially result in duplicative disclosure in MD&A and the footnotes regarding such uncertainties. Therefore, in determining whether the proposed ASU should be codified, one must first evaluate whether the threshold and enumeration of disclosure in the proposed ASU would actually improve the timeliness and quality of current SEC disclosure requirements.

Timeliness of Disclosure

Both the proposed ASU and the SEC’s Regulation S-K (“SEC’s reporting requirements”) require management to assess for any material uncertainties with respect to liquidity and capital resources on an interim basis. Therefore, the proposed ASU would not improve the frequency of assessment.

Disclosure Threshold

The lowest threshold for disclosure under the proposed ASU is when conditions and events indicate that it is more likely than not (>50%) that the entity will be unable to meet its obligations within the next 12 months. Comparatively, under SEC reporting requirements, disclosure is provided “unless management determines that a material effect on the registrant’s financial condition or results of operations is not reasonably likely to occur.” Said differently, disclosure is required if management determines that a material effect is reasonably likely to occur. The SEC asserts that “reasonably likely” is interpreted as a lower threshold than “more likely than not” but a higher threshold than “remote.” Consequently, we would not expect that the proposed ASU would result in more timely disclosure based solely on its prescribed threshold.

Assessment Period

The proposed ASU requires management to assess all relevant information about conditions and events in the aggregate to determine their potential effect on the entity’s inability to meet its obligations within 24 months after the financial statement date. One reason for the proposed ASU is to extend the 12-

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1 Proposed Accounting Standards Update, Presentation of Financial Statements (Topic 205), Disclosure of Uncertainties about an Entity’s Going Concern Presumption, Summary and Questions for Respondents, pp. 4.
2 SEC Regulation S-K, Item 303 -- Management’s Discussion and Analysis of Financial Condition and Results of Operations
3 See SEC Financial Reporting Manual (FRM) Section 9220.11. Although the SEC also states that the concept of “reasonably likely” is used in the context of MD&A disclosure only and is not intended to mirror the tests in SFAS 5 (ASC Topic 450), we believe the threshold under SEC reporting requirements can be interpreted as lower than the “more likely than not” threshold under the proposed ASU.
month assessment period under current auditing standards to capture significant going concern uncertainties that may occur beyond a year.

Current SEC disclosure requirements already require management to discuss "any known trends, demands, commitments, events or uncertainties that will result in or are likely to result in the registrant's liquidity increasing or decreasing in a material way." Although there may be some operational benefit for limiting the disclosure of known material events to a 24-month period, we are not convinced that an explicit assessment period would significantly improve the current practice of evaluating uncertainties under SEC reporting requirements.

However, if there truly is consensus among constituents that an explicit assessment period is beneficial, then we suggest that the Board recommend to the SEC that it consider revising its existing reporting requirements to include a 24-month assessment period.

Management Actions Outside of the Ordinary Course of Business

SEC reporting requirements mandate the disclosure of management's proposed remedy regarding such uncertainties that are reasonably likely to have a material effect on a registrant's liquidity. On the other hand, the requirement for disclosure under the proposed ASU is dependent upon a highly subjective determination of whether management's mitigating actions fall outside of the ordinary course of the entity's business. If it is determined that such actions fall outside of the ordinary course of business, management would be required to disclose their uncertainty despite the mitigating effect of such actions. If such actions are determined not to fall outside the ordinary course of business, management would not be required to disclose.

We believe that for reporting entities, particularly newer entities with a less established track record of managing capital, the determination of which management actions are within and which are outside of the ordinary course of business will be extremely subjective and not consistently interpreted or applied. Accordingly, this will lead to prolonged discussion with an entity's auditor every quarter and may result in unintended consequences, particularly since such disclosure would likely have an adverse effect on the future operations of the entity.

For example, a new and expanding manufacturing company may initially utilize an asset-based credit line to finance the purchase of additional manufacturing equipment as it expands. After a period of sustained growth, the company may need to consider refinancing this debt with a more permanent solution, such as a long-term borrowing. Despite the fact that the company is profitable, it may be unable to satisfy its short-term obligation under the asset-based credit line without refinancing the debt, based on its current operating cash flows. A long-term borrowing solution would lower its immediate cash flow obligations allowing the company to maintain a reasonable working capital position.

Given the fact that the company has never issued long-term debt before, under the proposed ASU, it may be required to disclose its uncertainty as a going concern because management's decision to refinance is considered outside of the ordinary course of business. The disclosure itself may have an adverse effect on the company's ability to refinance the debt. Having made the disclosure, lenders may consider the company a greater credit risk than before, making it more difficult for the company to obtain a reasonable refinance rate. The company's limited or uneconomic refinance options coupled

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4 SEC Regulation S-K 303(a)(1) and (2)
with its working capital deficit may unnecessarily weaken an otherwise prospering company and potentially force it to default, thus becoming a self-fulfilling prophecy.

Disclosure under SEC reporting requirements, on the other hand, is not affected by such a subjective determinant. Management would be aware of its ability to secure a long-term refinancing solution and would appropriately determine not to disclose an uncertainty because its actions would support the company's ability to continue as a going concern well into the future. As a result, we believe that the proposed ASU would not necessarily improve either the timeliness or the quality of disclosure and may, in fact, have an unintended consequence.

Quality of Disclosure

In general, under SEC reporting requirements, management must disclose any material changes to liquidity and capital resources as well as any forward-looking (prospective) information relating to known material events, trends, demands, commitments, or uncertainties within the MD&A on an interim basis. Specifically, the requirements state that management must disclose the following:

SEC Regulation S-K 303(a)(1) and(2)

1. Describe internal and external sources of liquidity, including any material unused sources of liquid assets, such as unused credit lines.
2. Disclose the existence and timing of commitments for capital expenditures and other known and reasonably likely cash requirements.
3. Where a material deficiency in short- or long-term liquidity has been identified, disclose the deficiency as well as disclose (i) its proposed remedy or (ii) that it has not decided on a remedy or (iii) that it is currently unable to address the deficiency.
4. Disclose any known trends or any known circumstances, demands, commitments, events, or uncertainties reasonably likely to have a material effect on the registrant's liquidity, increasing or decreasing. This disclosure threshold is lower than “more likely than not.”
   a. Consider provisions in financial guarantees, commitments, debt or lease arrangements that could trigger a requirement for early payment, additional collateral support, changes in terms, acceleration of maturity or the creation of additional financial obligation.
   b. Consider adverse changes in registrant's credit rating, financial ratios, earnings, cash flows or stock price
   c. Consider guarantees of debt or other commitments to third parties
   d. Consider written options on non-financial assets (e.g., real estate puts)
5. If factors indicate that there may have been, or is, substantial doubt as to the company’s ability to continue as a going concern, management's plan should be discussed (i.e., disclosed).

SEC Regulation S-K 303(a)(4)

6. Discuss off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on the registrant's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to investors.
a. Any known event, demand, commitment, trend or uncertainty that will result in or is reasonably likely to result in the termination, or material reduction in availability, of the Company’s off-balance sheet arrangements that provide material benefit to it, and the course of action that the Company has taken or proposes to take in response to any such circumstances.

SEC Regulation S-K 503(c)

In addition, SEC filers are required to present a discussion of their most significant risk factors that would make the entity and any of its offerings speculative or risky.

By comparison, the proposed ASU requires an entity to disclose information about:

1. Principal conditions and events that give rise to the entity’s potential inability to meet its obligations.
2. The possible effects those conditions and events could have on the entity.
3. Management’s evaluation of the significance of those conditions and events.
4. Mitigating conditions and events.
5. Management’s plans that are intended to address the entity’s potential inability to meet its obligations.

In general, we do not believe that the nature and extent of the disclosures in the proposed ASU significantly improves the quality of what is already required under SEC reporting requirements.

Exposure to Legal Risk

Section 27A of the Securities Act and Section 21E of the Securities Exchange Act, each entitled ‘Application of Safe Harbor for Forward-Looking Statements,’ provide legal protection to SEC filers who include forward-looking statements in securities offering documents and periodic disclosures, respectively, so long as the statement meets requirements set forth in those sections, most importantly that the statement is “accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward looking statement.” This protection allows SEC filers to provide forward-looking guidance in their disclosures to investors without the risk of potential legal recourse related to future adverse events occurring or not occurring as described in a registrant’s forward-looking statements. This protection extends to the MD&A section of both the 10-K and 10-Q filings.

However, such protection does not extend to the financial statement footnotes. Therefore, any required disclosure (or lack thereof) within the footnotes related to forward-looking assumptions and statements with respect to an SEC registrant’s presumption as a going concern places it at risk of legal recourse for either not disclosing or for disclosing inaccurately (to whatever degree) any forward-looking information that may materially affect a user of the financial statements.

We view this as one of the most potentially adverse issues related to the proposed ASU.
Redundant for Large Financial Institutions

Large U.S. financial institutions, including PNC are subject to the Dodd-Frank Act, the regulatory capital standards of the Basel accords and the Comprehensive Capital Analysis and Review (CCAR) rule instituted by the Federal Reserve for bank holding companies (BHCs) with assets greater than $50 billion.

This latter rule, in particular, requires BHCs to develop and submit a capital plan to the Federal Reserve on an annual basis and to request prior approval from the Federal Reserve under certain circumstances before taking certain capital actions (e.g., dividends). A significant part of the plan includes conducting baseline and other hypothetical stress scenario capital tests, including a liquidity analysis, on a semi-annual basis to assess the adequacy of the BHC’s capital position under various economic stress scenarios. The strength and resiliency of our capital position is evaluated on the basis of whether or not we pass these tests.

We believe that our ability to successfully pass these tests is a more than adequate assessment of our ability to continue as a going concern. Moreover, the Federal Reserve discloses the results of these stress tests to the public on an annual basis, including the potential rejection of a particular BHC’s proposed capital plan\(^5\). If we failed these tests, we would be required to disclose such information to our shareholders and creditors.

We believe that these tests and the public dissemination of their results by the Federal Reserve satisfies the FASB’s objective of providing timely, relevant information regarding a BHC’s going concern uncertainties to users of financial statements. Consequently, an additional going concern assessment under U.S. GAAP to determine further disclosure is redundant to large financial institutions, including PNC.

Cost-Benefit on a Quarterly Basis

Given the forgoing arguments regarding the proposed ASU versus current SEC reporting requirements, the potential exposure to legal risk for SEC filers and the redundancy in the evaluation of going concern uncertainties for large financial institutions, we do not believe the FASB has sufficiently supported its assertion that the proposed ASU would improve the timing and quality of going concern disclosures. Accordingly, users would not benefit from duplicative quarterly disclosure in the footnotes for the incremental operational costs to reporting entities of complying with and providing these disclosures.

Historical Information

If the Board chooses to move forward with a codified evaluation requirement, we suggest that it instead develop historical indicators that require very little judgment which would trigger disclosure. For example, such indicators could include the following:

a. a specified adverse change in credit spreads in an entity’s long-term, unsecured debt,

b. a specified decline in stock price,

c. a specified decline in net operating cash flows,

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d. material litigation, or
e. the recognition of goodwill impairment loss.

SEC Consideration

For SEC filers, we believe the essence of the proposed ASU is already comprised in the SEC reporting requirements. Other than disclosures for non-SEC filers, all of the objectives of the proposed ASU to improve disclosures can be addressed by revising the current SEC reporting requirements related to MD&A.

To facilitate the Board’s goal of reducing diversity in disclosures, and given the aforementioned concerns, we encourage the Board to recommend to the SEC that it evaluate whether additional guidance should be issued by the SEC related to its reporting requirements rather than to codify a redundant disclosure requirement within US GAAP and potentially expose SEC filers to additional legal risk.

Non-Public Financial Statements

If the Board continues with the proposed ASU, we believe the scope should be revised to include only non-SEC filers and align with the SEC’s reporting requirements.

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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 412-762-7546.

Sincerely,

[Signature]

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

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

Mr. Robert Q. Reilly
Executive Vice President and Chief Financial Officer
The PNC Financial Services Group, Inc.