October 7, 2019

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

File Reference No. 2019-770

Dear FASB Board Members and Staff:

The PNC Financial Services Group, Inc. ("PNC" or "we") appreciates the opportunity to comment on the Financial Accounting Standards Board's ("FASB" or the "Board") Proposed Accounting Standards Update, Reference Rate Reform (Topic 848). We support the FASB's proposed optional guidance in accounting for contract modifications and hedge accounting due to reference rate reform.

Overall, we believe that the proposed optional expedients will help ease the operational burden of evaluating contract modifications for financial instruments and potentially discontinuing existing hedge relationships impacted by the anticipated cessation of LIBOR. However, we believe that several clarifications should be made to the proposed guidance to ensure operability and efficiency in implementing the expedients.

Appendix A contains our detailed responses to the Questions for Respondents in the ITC.

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 (412-762-6543) with any questions about PNC's comments.

Sincerely,

Mr. Michael Yenchek
Director of Accounting Policy
The PNC Financial Services Group, Inc.

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

   Mr. Gregory H. Kozich
   Senior Vice President and Corporate Controller
   The PNC Financial Services Group, Inc.
Appendix A
Responses to Questions for Respondents

Section 1: General

1. Are the amendments in this proposed Update operable and auditable? If not, which proposed amendment(s) pose operability or auditability issues and why?

See our responses to Question 3 and Question 6 below.

2. Are there additional accounting issues or optional expedients related to reference rate reform that the Board should consider? Please be as specific as possible and explain why those issues require consideration.

No. Overall, we believe that the proposed reference rate reform guidance addresses our primary accounting concerns to alleviate the operational burden of evaluating a sizable population of financial contract modifications and potentially redesignating and redesignating our accounting hedges, both of which will be impacted by the anticipated LIBOR cessation.

Section 2: Contract Modifications

3. Do you agree with the proposed expedients for the accounting for contract modifications? If not, please explain which proposed amendment(s) you disagree with and why.

We agree with the proposed optional expedients related to contract modifications. However, we believe that several clarifications should be made to the guidance to ensure operability in implementing the expedients.

We suggest rewording paragraph 848-20-15-5 to state clearly that the example list of acceptable changes to contract terms is not exhaustive. The examples in this paragraph could be interpreted as the only acceptable changes to terms related to the replacement of a reference rate. Given the fact that we are still in the early stages of an anticipated LIBOR cessation, there may be circumstances that warrant changes to contract terms related to reference rate reform which are not contemplated in paragraph 848-20-15-5 as proposed.

We also suggest amending 848-20-15-6(h) to remove the reference to a prepayment option from the examples of changes to terms that are unrelated to the replacement of a reference rate. We believe that, in some cases, in order to negotiate a change in terms related to reference rate reform for a debt instrument, parties to the instrument may wish to include an option to prepay the instrument either at the time of modification or in the event of certain circumstances which may compel the borrower to prepay the instrument—for example, an acceptable replacement rate is not developed in a timely manner for the instrument prior to LIBOR cessation.

4. Do you agree that the optional expedients for contract modifications should be applied at the relevant Topic, Subtopic, or Industry Subtopic level? If not, what alternative do you suggest and why?

Yes, we agree.

Section 3: Hedge Accounting
5. Do you agree with the proposed exceptions to the requirement in Topic 815 to
designate a hedging relationship for a change in critical terms of the hedging
relationship? If not, please explain which proposed amendment(s) you disagree
with and why.

Yes, we agree.

6. Do you agree with the proposed optional expedients for fair value hedge
accounting? If not, please explain which proposed amendment(s) you disagree with
and why.

Yes, we agree with the proposed optional expedients for fair value hedge accounting; however, we
believe the guidance in paragraph 848-40-25-5 that allows an entity the ability to choose from
two alternative approaches when applying the guidance in paragraph 848-40-25-4, should allow
for application on an individual hedging relationship basis instead of requiring that a similar
method be used for similar hedges. This would provide an entity the ability to choose a more
operationally efficient approach for individual hedging relationships where there would be little
financial statement impact from using a more complex approach.

7. Do you agree with the proposed optional expedients for cash flow hedge
accounting? If not, please explain which proposed amendment(s) you disagree with
and why.

Yes, we agree.

8. Do you agree that the proposed exceptions and optional expedients related to hedge
accounting should be applied on an individual hedging relationship basis? If not,
please explain why.

Yes, we agree.

Section 4: Disclosures

9. What quantitative and qualitative disclosures should be provided to help users
understand a reporting entity’s current contracts or holdings (as of the reporting
date) that are affected by reference rate reform? For financial statement preparers,
what costs would be incurred in providing these disclosures? For financial
statement users, what alternative sources of information would be used if a
reporting entity does not provide any quantitative and qualitative disclosures?
What costs would be incurred to obtain quantitative and qualitative information to
better understand a reporting entity’s exposure to reference rate reform? Should
the quantitative and qualitative disclosures, if any, have a termination date after
December 31, 2022? If not, when should such disclosures expire and why?

We believe that qualitative disclosure, and if necessary, any quantitative disclosure, related to the
impacts of reference rate reform should reside within Management’s Discussion and Analysis
(MD&A). We currently include qualitative disclosure information regarding the reference rate
transition in the risk section of our MD&A and will continue to update our disclosures on the
potential and actual impacts of reference rate reform throughout the transition.

As existing US GAAP does not require disclosures related to interest rate exposure to specific
variable-rate indexes, and because it would be costly and burdensome to provide temporary
disclosures, we do not believe quantitative disclosures related to reference rate reform should be required in the notes to the financial statements. In addition, we believe the existing disclosure requirements related to hedge accounting, for example, derivative notional for interest rate contracts and hedge basis adjustments, are sufficiently robust to provide our shareholders with decision-useful information related to the impacts of reference rate reform.

10. What quantitative and qualitative disclosures should be provided to help users understand the financial reporting effects of expedients elected by a reporting entity? For financial statement preparers, what costs would be incurred in providing these disclosures? For financial statement users, what costs would be incurred if a reporting entity does not provide any quantitative and qualitative disclosures to help financial statement users understand the financial reporting effects of any hedge accounting expedients elected?

See our response to Question 9.

11. Do the proposed transition disclosure requirements provide decision-useful information? If not, what would you recommend and why?

Yes. We believe disclosing the nature and reason for electing to apply the proposed accounting relief in each interim and annual period in the fiscal year of application will provide decision-useful information to our investors and other stakeholders.

Section 4: Transition and Termination Date

12. Do you agree that the proposed optional expedients should be applied on a prospective basis upon election? If not, what alternative do you suggest and why?

Yes, we agree that the proposed optional expedients should be applied on a prospective basis upon election. However, we anticipate commencing a bank-wide implementation of financial contract modifications related to reference rate reform at the beginning of 2020. We would prefer that the effective date coincide with that timing.

13. Do you agree that the proposed amendments should not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022? If not, when should the proposed amendments expire and why?

No. While we understand that the Board may have some concern for abuse in applying the proposed expedients, we believe it is in the interest of most regulated financial institutions to complete the transition to an alternative reference rate(s) as soon as possible. Further, given the scope of the market-wide impact of LIBOR cessation and the uncertainty around the market response to alternative reference rates, it is not unreasonable to expect contract modifications to continue beyond 2022. Moreover, we believe that the proposed scoping criteria in paragraphs ASC 848-10-15-3 to 15-4, ASC 848-20-15-2 to 15-4 and ASC 848-30-15-1 is sufficiently restrictive to obviate the need for a sunset date.