

September 7, 2010

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

Re: File Reference: 1830-100, Exposure Draft, Proposed Accounting Standards Update, Fair Value Measurements and Disclosures (Topic 820) ("the ED")

The PNC Financial Services Group, Inc. (PNC) appreciates the opportunity to comment on the above referenced ED. PNC is one of the nation's largest financial services companies with over \$260 billion in assets as of June 30, 2010. PNC has a diversified business mix providing retail and business banking; residential mortgage banking; specialized services for corporations and government entities, including corporate banking, real estate finance and asset-based lending; wealth management; and asset management. PNC's stock is traded on the New York Stock Exchange.

We support the FASB and IASB's objective to develop common requirements for measuring and disclosing information about fair value measurements. While the intent of many of the proposed changes is consistent with that objective as it conforms wording or clarifies existing U.S. GAAP and IFRS fair value guidance, we have two primary concerns with the ED. First, consistent with the views we previously expressed on the Exposure Draft, *Proposed Accounting Standards Update Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures About Fair Value Measurements*, issued in August 2009, we do not believe the Measurement Uncertainty Analysis Disclosures provide more relevant or reliable information than is currently provided. Second, we believe the concept of highest and best use should not only apply to nonfinancial assets since the notion that the fair value of all financial assets would be determined on an instrument by instrument basis may not reflect the views of market participants. Specific comments on these issues are included below.

Measurement Uncertainty Analysis Disclosures

This proposed disclosure requires that a measurement uncertainty analysis be performed for Level 3 fair value measurements. Under this analysis, if changing one or more of the unobservable inputs used to measure fair value to a different amount that could have reasonably been used in the circumstances resulting in a significantly higher or lower fair value measurement, the reporting entity would be required to disclose the effect of using those different amounts and how it calculated the effect. Additionally, in preparing this analysis, a reporting entity would take into account the effect of correlation between unobservable inputs if that correlation is relevant when estimating the effect on the fair value measurement of using those different amounts.

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By its very nature, absent an orderly market transaction for an identical asset or liability, fair value is a best estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining that best estimate, a reporting entity has already selected reasonable unobservable inputs that a market participant would use. Accordingly, it seems inconsistent that a reporting entity be required to second guess the judgment it used in arriving at that best estimate.

PNC transferred non-agency residential and commercial mortgage backed securities to Level 3 at the end of the first quarter of 2009 in response to a significant decrease in the volume and level of activity for these assets in the market. This decision was supported by 1) the values obtained from pricing services and/or dealer quoted prices varied to such a degree that management questioned if those prices truly represented a relevant and reliable approximation of fair value and 2) we found it difficult to substantiate or validate these prices via market transactions. Accordingly, we developed a pricing model to adjust for the primary sources of the pricing difficulty—the spread component represented by illiquidity and the uncertainty regarding credit risk. Then, by asset class, we used our reasonable judgment to develop a market participant view to determine a best estimate of fair value based on transaction prices, values from pricing services and/or dealer quoted prices, and model results.

In this regard, we do not believe that attempting to determine the "next best" set of reasonable assumptions and inputs that would significantly impact a best estimate of fair value, and if applicable, disclosure of this information necessarily results in additional relevant information for financial statement users. In fact, it only obfuscates the fair value measurement process. Level 3 measurements, by definition, rely on unobservable inputs that are supported by minimal or no market activity and thus represent management's best estimate of fair value. In a basic example, PNC may choose to weight a broker quote and model output based upon unobservable inputs in determining a fair value. While we could adjust an unobservable input within the model, we could not necessarily have the broker adjust the same input in arriving at a revised quote. Accordingly, we do not believe that this result provides any more clarity regarding uncertainty in our Level 3 fair value estimate. Furthermore, an evaluation of the correlation of unobservable inputs is itself judgmental. Attempting to incorporate this in an uncertainty analysis only further exacerbates and calls into question management's best estimate of fair value.

Highest and Best Use of Financial Assets

The proposed changes have removed from ASC 820 the concepts of "in-use" and "in-exchange" for financial assets. Among other factors, the FASB concluded that financial assets do not have alternative uses because a financial asset has specific contractual terms and can only have a different use if the characteristics of the financial asset (that is, the contractual terms) are changed. We note that pools of similar assets (e.g., mortgage loans) are bought and sold. While the underlying recovery of each financial asset is ultimately dependent upon payments from the borrower and/or any collateral that exists, a market participant may choose to realize the value of these assets prior to the end of its contractual life through early payoff and/or liquidation of collateral. In this regard, the price that a pool of assets could be sold for, representing fair value in a market transaction, may differ from the aggregated price for which each individual asset could be sold. This is due to the fact that liquidity and credit of the pool compared to each individual asset would result in differences in fair values. Accordingly, we believe the concept

of in-use should be retained for determining the fair value of financial assets. This concept provides the most representative measurement of fair value for financial assets for which their disposition is most efficiently and economically achieved by grouping them and where grouping is consistent with business and market practices for those assets.

We appreciate the opportunity to share our views with the Board and staff. If you have any questions, please contact me at 412.762.3900.

Sincerely,

Samuel R. Patterson

Senior Vice President and Controller

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The PNC Financial Services Group, Inc.

cc Mr. Richard Johnson
Executive Vice President and Chief Financial Officer
The PNC Financial Services Group, Inc.