

February 15, 2012

Ms. Susan Cosper Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-05116

Re: File Reference No. 2011-200, Proposed Accounting Standards Update, Financial Services —
Investment Companies (Topic 946), Amendments to the Scope, Measurement, and Disclosure
Requirements; and
File Reference No. 2011-210, Proposed Accounting Standards Update, Real Estate —
Investment Property Entities (Topic 973)

Dear Ms. Cosper:

The PNC Financial Services Group, Inc. ("PNC") appreciates the opportunity to comment on the Proposed Accounting Standards Update, Financial Services – Investment Companies (Topic 946) Amendments to the Scope, Measurement, and Disclosure Requirements (the "ICE ED") and the Proposed Accounting Standards Update, Real Estate – Investment Property Entities (Topic 973, (the "IPE ED") (collectively the "EDs").

PNC agrees with the FASB and the IASB's efforts to develop a common, high-quality standard to determine when an entity should be classified as an investment company, as well as when real estate properties qualify as investment property. While PNC supports these objectives, we believe that the EDs, as currently drafted, create implementation issues and may not achieve accounting results that provide more clarity and value to financial statement users.

## **Investment Company Entities**

Our primary concern with the ICE ED is the proposed prescriptive criteria by which an investment company is determined. We believe the determination of an investment company entity should be based on a principle and not the application of a list of required criteria. We propose that the principle for determining an investment company entity be that the "nature of an entity's activities are investing in an investment or investments for the purpose of capital appreciation, investment income or both".

We are specifically opposed to the proposed pooling of funds and multiple investments criteria. We believe the application of these criteria, in particular, will cause some entities which have historically been considered investment companies, to be classified as noninvestment companies even when the intended purpose of those entities is to invest for capital appreciation and/or investment income. This will potentially result in consolidation of entities requiring reporting entities to incur additional costs for reporting, auditing, and conducting control evaluations. Most importantly consolidation would not provide more useful information to financial statement users as reporting entities would report assets and liabilities which are not part of their core business activities.

We recommend the proposed criteria be described as indicators to aid in determining whether the principle of investing for capital appreciation and/or investment income is met; however, we do not believe any one of the indicators should be given a particular weight in an analysis. That analysis should also consider the principle by which an entity would not qualify as investment company entity. We recommend that investing for strategic operating purposes or investing to receive benefits that are not available to unrelated parties indicates an entity is not an investment company entity. This principle, carried forward from the original SOP 07-1 ("Clarification of the Scope of the Audit and Accounting Guide *Investment Companies* and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies"), would aid in determining what entities should qualify as investment company entities.

We also recommend that the guidance be explicit in permitting entities to provide management services to an investment company entity in which they invest, provided such services are provided on an arm's-length basis, with customary terms and conditions and at fees that are commensurate with services provided.

We are concerned with the proposed inconsistency in the application of investment company entity specialized fair value accounting and believe such accounting should be applied in all circumstances regardless of whether an investment company entity is held by an investment or noninvestment company parent. On this point, we are opposed to international accounting guidance which requires consolidation of an investment company entity by a noninvestment company parent and recommend IFRS converge to the specialized accounting model in this circumstance. We believe retaining fair value specialized accounting provides more decision-useful information when evaluating parent company investors.

## **Investment Property Entities**

With regard to investment property entities, we recommend convergence with IAS 40, *Investment Properties*, as we prefer the principles-based standard of IAS 40 versus the Boards' proposed list of criteria. Further, we do not believe another specialized accounting standard is needed. Real estate investments which do not meet the criterion of property held to earn rentals or for capital appreciation or both, should be evaluated under the proposed investment company entity guidance, if the investment is held within a legal entity. A separate accounting standard should not be applied.

We support the accounting of IAS 40 which requires a policy election to measure investment properties at fair value or cost provided that, if the cost method is elected, disclosure of fair values continues to be required. However, we do not support a mandatory requirement to report investment properties at fair value.

We also agree with the IAS 40 provision that allows entities which elect fair value measurement to forgo the overlay of lease accounting; however, on this point, we believe it is important for the FASB and IASB to complete the current project on lease accounting and finalize the accounting requirements for lessors and lessees before the FASB issues guidance on investment properties in its final form.

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In addition to the points raised above, following are our responses to the Board's specific questions. We appreciate the FASB's request for feedback on this ED and appreciate the opportunity to share our views with the FASB 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,

John (JJ) Matthews

**Director of Accounting Policy** 

The PNC Financial Services Group, Inc.

cc: Mr. Richard Johnson

Executive Vice President and Chief Financial Officer

The PNC Financial Services Group, Inc.

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

## Proposed Accounting Standards Update - Financial Services - Investment Companies (Topic 946)

**Question 1:** The proposed amendments would require an entity to meet all six of the criteria in paragraph 946-10-15-2 to qualify as an investment company. Should an entity be required to meet all six criteria, and do the criteria appropriately identify those entities that should be within the scope of Topic 946 for investment companies? If not, what changes or additional criteria would you propose and why?

As discussed above, we do not agree with the prescriptive criteria for determining an investment company and believe applying the proposed criteria would result in entities which have historically been considered to be investment companies to be classified as noninvestment companies because that entity does not meet one or more of the prescribed criteria. Certain investment company entities exist which hold only a single large investment and, under the proposed guidance, this entity would not be classified as investment company entity although its purpose may be to invest for capital appreciation and/or investment income. We do not believe the prescribed criteria would appropriately classify investment company entities given the variety structures and circumstances under which such entities are created.

Question 2: The definition of an investment company in the proposed amendments includes entities that are regulated under the SEC's Investment Company Act of 1940. Are you aware of any entities that are investment companies under U.S. regulatory requirements that would not meet all of the proposed criteria in paragraph 946-10-15-2? If so, please identify those types of entities and which of the criteria they would not meet.

We are not aware of any entities which meet the 1940 Act which would not qualify as investment companies; however, in our view, a preparer must look at the intended purpose of the entity and weigh other characteristics, such as the qualification under the 1940 Act, when determining whether an entity should be categorized as an investment company entity.

Question 3: The proposed amendments would remove the scope exception in Topic 946 for real estate investment trusts. Instead, a real estate investment trust that meets the criteria to be an investment property entity under the proposed Update on investment property entities would be excluded from the scope of Topic 946. Do you agree that the scope exception in Topic 946 for real estate investment trusts should be removed? In addition, do the amendments in the proposed Updates on investment companies and investment property entities appropriately identify the population of real estate entities that should be investment companies and investment property entities?

We agree with the removal of the scope exception for real estate investment trusts.

**Question 4:** The proposed amendments would require an entity to reassess whether it is as an investment company if there is a change in the purpose and design of the entity. Is this proposed requirement appropriate and operational? If not, why?

We believe the requirement to reassess an entity based on a change in purpose and design is appropriate and operational.

Question 5: An entity may be an investment company when it performs activities that support its investing activities. As a result, a real estate fund or real estate investment trust (that is not an investment property entity) could be an investment company if the entity (directly or indirectly through an agent) manages only its own properties. However, the entity would be precluded from being an investment company if the other activities were considered more than supporting the entity's investment activities (for example, construction). Is this requirement operational, and could it be consistently applied?

As discussed above, we believe the determination of an investment company is a matter of judgment when evaluating the nature of the entity and in light of all factors. For the circumstance described in Question 5, a preparer must evaluate the activities conducted by the entity and how substantial these activities are to the entity's intended purpose and performance in determining whether the entity would qualify as an investment company entity.

**Question 6:** The proposed implementation guidance includes examples of relationships or activities that would indicate that an entity obtains or has the objective of obtaining returns from its investments that are not capital appreciation or investment income. Do you agree with these examples? If not, how would you modify the examples while still addressing the Board's concerns identified in paragraphs BC15 and BC16?

As discussed above, the determination of an investment company entity is a matter of judgment based on consideration of all relevant factors. We do not believe that an entity that receives returns from activities other than capital appreciation or investment income would necessarily be precluded from being an investment company entity. The examples in proposed paragraph 946-10-55-7 are consistent with our proposed principal which would define what does not constitute an investment company. These examples are all possible indicators of investing for strategic operating purposes or for benefits which are not available to other unrelated third party investors. Therefore, we believe these examples could be included in the guidance to support the principle of what is not consistent with an investment company entity.

**Question 7:** To be an investment company, the proposed amendments would require an entity to have investors that are not related to the entity's parent (if there is a parent) and those investors, in aggregate, must hold a significant ownership interest in the entity. Is this criterion appropriate? If not, why?

As discussed above, we do not believe the "pooling of funds" criteria should be a requirement for an entity to be an investment company entity.

Question 8: The proposed unit-ownership criterion would require an entity to have ownership interests in the form of equity or partnership interests to be an investment company. The entity would consider only those interests in determining whether it meets the proposed pooling-of-funds criterion. Therefore, a securitization vehicle, such as a collateralized debt obligation, may not qualify as an investment company under the proposed amendments because it may not meet the unit-ownership or the pooling-of-funds criterion. The entity would not consider interests held by its debt holders when evaluating these criteria to be an investment company. For entities that do not have substantive equity interests (for example, those considered variable interest entities under Subtopic 810-10), should the unit-ownership and pooling-of-funds criteria to be an investment company consider interests held by debt holders? Please explain.

As discussed above, we do not believe the unit-ownership characteristic should be a requirement when determining whether an entity is an investment company entity.

Question 9: Certain entities may meet all of the other criteria to be an investment company but have only a single investor (for example, a pension plan). The amendments in FASB's proposed Update on investment property entities provides that if the parent of an entity is required to measure its investments at fair value under U.S. GAAP or the parent entity is a not-for-profit entity under Topic 958 that measures its investments at fair value, the entity would not need to meet the unit-ownership and pooling-of-funds criteria to be an investment property entity. Considering the Board's concerns identified in paragraph BC24, should the criteria in this proposed Update be amended to address situations in which the entity has a single investor?

As discussed above, we do not believe multiple investors should be a requirement for classifying an entity as an investment company entity. That is, we believe an investment company entity could have a single investor.

**Question 10:** The unit-ownership and pooling-of-funds criteria in the proposed amendments do not consider the nature of the entity's investors for evaluating if an entity is an investment company. That is, the criteria do not differentiate between passive investors and other types of investors. Do you agree that the nature of the investors should not be considered in evaluating the unit-ownership and pooling-of-funds criteria?

We do not believe an investment company entity should be determined based on a prescribed characteristic(s) of the entity's investors; however, per our view of a principles-based approach, we believe the nature of an entity's investors may be a factor in determining whether an entity is an investment company entity.

**Question 11:** The proposed amendments would require that substantially all of an investment company's investments are managed, and their performance evaluated, on a fair value basis. Do you agree with this proposal? If not, why? Is this proposed amendment operational and could it be consistently applied? If not, why?

As discussed previously, we do not support the list of required criteria; however, in our experience, investment companies do predominantly manage their investments on a fair value basis.

Question 12: The proposed amendments would retain the requirement that an investment company should not consolidate or apply the equity method for an interest in an operating company unless the operating entity provides services to the investment company. However, the proposed amendments would require an investment company to consolidate controlling financial interests in another investment company in a fund-of-funds structure. An investment company would not consolidate controlling financial interests in a master-feeder structure. Do you agree with this proposed requirement for fund-of-funds structures? If not, what method of accounting should be applied and why? Should a feeder fund also consolidate a controlling financial interest in a master fund? Please explain.

We do not agree that the accounting for a fund-of-funds structure should differ from a master-feeder structure as the only difference between these entities are the number of entities within the structure and the business purpose for establishing the structure. In either circumstance, managers of such funds view the entity's performance at a fund level, not based on individual instruments. Therefore, we do not support a requirement to consolidate fund-of-funds structure.

**Question 13:** The proposed amendments would require an investment company to consolidate a controlling financial interest in an investment property entity. Should an investment company be subject to the consolidation requirements for controlling financial interests in an investment property entity? If not, what method of accounting should be applied and why?

As discussed above, we do not agree with a separate accounting standard for determining an investment property entity.

**Question 14:** The proposed amendments would prohibit an investment company from applying the equity method of accounting in Topic 323 to interests in other investment companies and investment property entities. Rather, such interests would be measured at fair value. Do you agree with this proposal? If not, why?

We agree that an investment company should apply fair value accounting for its interest in other investment companies.

**Question 15:** An investment company with a controlling financial interest in a less-than-wholly-owned investment company subsidiary or an investment property entity subsidiary would exclude in its financial highlights amounts attributable to the noncontrolling interest. Do you agree that the amounts attributable to the noncontrolling interest should be excluded from the calculation of the financial highlights? If not, why?

As discussed above, we agree with the retention of the specialized accounting; however, we agree that in a consolidation scenario, amounts attributable to the noncontrolling interest portion of a consolidated entity should be excluded from the financial highlights calculation.

**Question 16:** If an investment company consolidates an investment property entity, the proposed amendments require the investment company to disclose an additional expense ratio that excludes the effects of consolidating its investment property entity subsidiaries from the calculation. Do you agree? If not, why?

We believe the proposed disclosures are too extensive and detailed and would not, in many circumstances, provide useful information to financial statement users. More specifically, we do not think it is meaningful to disclose expense ratios with and without the impact of consolidated entities.

**Question 17:** Do you agree with the additional proposed disclosures for an investment company? If not, which disclosures do you disagree with, and why? Would you require any additional disclosures and why?

See our response to Question 16.

**Question 18:** The proposed amendments would retain the current requirement in U.S. GAAP that a noninvestment company parent should retain the specialized accounting of an investment company subsidiary in consolidation. Do you agree that this requirement should be retained? If not, why?

As discussed above, we support the retention of the specialized fair value accounting for both noninvestment and investment company parents.

Question 19: An entity that no longer meets the criteria to be an investment company would apply the proposed amendments as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption by calculating the carrying amounts of its investees as though it had always accounted for its investments in conformity with other applicable U.S. GAAP, unless it is not practicable. If not practicable, the entity would apply the proposed amendments as of the beginning of the period of adoption. Do you agree with this proposal? If not, why?

We believe it may be operationally difficult to determine a cumulative-effect adjustment upon adoption of the standard as that may require having detailed financial information on underlying investments for entities which previously were accounted for as investment company entities. Therefore, it may be more practical to apply the guidance prospectively. We recognize this may result in less than ideal

presentation; however, we believe, under our proposal, there would be less reclassification from/to existing investment company entity status.

Question 20: How much time would be necessary to implement the proposed amendments?

We believe preparers will require at least a year to implement the proposal as we have recommended. If the Board continues to require that an entity meet the proposed specified criteria to be classified as an investment company, we believe the implementation period required would be longer as this would require an extensive reevaluation of entities.

**Question 21:** The proposed amendments would prohibit early adoption. Should early adoption be permitted? If yes, why?

Under our proposed adoption approach, we believe early adoption should be prohibited.

**Question 22:** The proposed amendments would apply to both public and nonpublic entities. Should the proposed amendments apply to nonpublic entities? If not, how should the proposed amendments differ for nonpublic entities and why?

In general, we do not believe it is good practice to create different application criteria for public and nonpublic entities.

## **Proposed Accounting Standards Update – Real Estate – Investment Property Entities (Topic 973)**

Question 1: The proposed amendments would require an entity that meets the criteria to be an investment property entity to measure its investment property or properties at fair value rather than require all entities to measure their investment properties at fair value. Should all entities measure their investment properties at fair value or should only an investment property entity measure its investment properties at fair value? Why? Is fair value measurement of investment properties operational? Please describe any operational concerns.

As discussed above, we do not support a separate standard for investment property entities and support the convergence to IAS 40. Further, we do not believe fair value measurement should be mandatory.

**Question 2:** The proposed amendments would require an investment property entity to measure its investment property or properties at fair value rather than provide an option to measure its investment property or properties at fair value or cost. Should fair value measurement of investment properties be required or permitted? Please explain.

We support the ability of an entity to make a policy election to measure investment properties at fair value or cost.

**Question 3:** Do the criteria in the proposed amendments appropriately identify those entities that should be required to measure their investment property or properties at fair value, and, therefore, should be excluded from the scope of the lessor accounting model in the proposed Update on leases? If not, what changes or additional criteria would you suggest, and why are those criteria more appropriate?

We agree that if an entity elects to measure its investments at fair value the entity should not be required to also apply the lessor accounting model. If an entity elects to apply a cost method of accounting, we believe the lessor accounting model must be applied. However, as stated above, we believe the FASB and IASB's project on lease accounting should be completed prior to finalizing the proposed standard on investment properties.

**Question 4:** The proposed amendments would require an entity to reassess whether it is an investment property entity if there is a change in the purpose and design of the entity. Is this proposed requirement appropriate and operational? If not, why?

We do not support the establishment of a separate investment property entity standard; however, we do support the reclassification of real estate to/from investment property status if that real estate investment does or does not meet the principle of investment property.

Question 5: An entity that would be an investment property entity under the proposed amendments would be required to follow the accounting requirements in the proposed amendments even if that entity also would be an investment company under Topic 946. Is it appropriate for an entity that would meet the criteria to be both an investment property entity and an investment company under Topic 946 to be subject to the amendments in this proposed Update? If not, what alternative approach would you recommend if an entity would meet the criteria to be both an investment property entity and an investment company? Should the form of the entity (real estate fund versus real estate investment trust) dictate whether an entity should be an investment company or an investment property entity for accounting purposes? If yes, please describe the difference between the business activities of a real estate fund and a real estate investment trust to support your view.

Under our proposed approach, real estate investments would be evaluated under accounting guidance which mirrors IAS 40 and, if the investment does not qualify as investment property, that investment would be accounted for under investment company entity guidance or existing U.S. GAAP, as applicable.

**Question 6:** To be an investment property entity, the proposed amendments would require substantially all of an entity's business activities to be investing in a real estate property or properties. Should an entity's business activities be limited to investing in a real estate property or properties rather than investing in real estate assets in general (such as real-estate-related debt securities and mortgage receivables) to be an investment property entity? If not, why? Is this requirement operational? Please describe any operational concerns.

We believe the guidance regarding an investment property should address accounting for a real estate investment held directly and should not be applied to an indirect holding of real estate through ownership of debt securities or mortgage receivables.

**Question 7:** The implementation guidance in this proposed Update specifies that when evaluating whether substantially all of the parent entity's business activities are investing in a real estate property or properties, the parent entity would not consider real estate properties held indirectly through investments in which the parent entity does not have a controlling financial interest. Should the evaluation of an entity's business activities consider properties held through noncontrolling financial interests (for example, investments in which the entity can exercise significant influence)? Why or why not?

We do not agree that real estate properties held indirectly through a noncontrolling interest should be subject to the proposed accounting standard.

**Question 8:** To be an investment property entity, the proposed amendments would require that the express business purpose of an entity is to invest in a real estate property or properties for total return with an objective to realize capital appreciation, for example, through disposal of its real estate property or properties. Real estate properties held by an entity for either of the following purposes would not meet this criterion:

- a. The entity's own use in the production or supply of goods or services or for administrative purposes
- b. Development for sale in the ordinary course of business upon completion (such as land developers and home builders).

Should an entity whose express business purpose is to hold real estate properties for the reasons listed above be excluded from the amendments in this proposed Update? If not, why? Is the express-business-purpose criterion operational? Please describe any operational concerns.

We support the exclusion of real estate property from classification as investment property if the property is held for the purpose or purposes listed above.

**Question 9:** To meet the express-business-purpose criterion, the implementation guidance in this proposed Update would require that an investment property entity have an exit strategy to dispose of its real estate property or properties to realize capital appreciation to maximize total return. An entity that invests in a real estate property or properties to collect rental income long term and does not have an exit strategy for its real estate property or properties would not be an investment property entity under the proposed amendments. Should those entities be excluded from the amendments in this proposed Update? If not, why? Is the exit strategy requirement operational? Please describe any operational concerns.

Consistent with IAS 40, we believe investment property should be held for the purpose of capital appreciation and/or rental income. Therefore, we do not agree that real estate held long-term for the purpose of realizing rental income should be excluded as investment property.

**Question 10:** To be an investment property entity, the proposed amendments would require an entity to have investors that are not related to the entity's parent (if there is a parent) and those investors, in aggregate, must hold a significant ownership interest in the entity. Is this criterion appropriate? If not, why?

We do not agree with the requirement of outside investors in order to classify real estate as investment property.

Question 11: To be an investment property entity, the proposed amendments would provide an exemption from the unit-ownership and pooling-of-funds criteria for a subsidiary entity that (a) has a parent entity that is required to account for its investments at fair value with all changes in fair value recognized in net income in accordance with U.S. GAAP or (b) has a parent entity that is a not-for-profit entity under Topic 958 that measures its investments at fair value. Should this exemption be available only to a subsidiary entity with a parent entity that is (a) required to account for its investments at fair value in accordance with U.S. GAAP or (b) a not-for-profit entity under Topic 958 that measures its investments at fair value? If not, which entities should be permitted to apply the exemption and why?

As discussed previously, unit-ownership and pooling of funds should not be required criteria for determining investment property.

**Question 12:** The proposed amendments would require real estate properties other than investment properties that are held by an investment property entity to be measured in accordance with other U.S. GAAP. Should an investment property entity be required to measure those properties at fair value with all changes in fair value recognized in net income instead of applying other U.S. GAAP? Why or why not?

We agree that real estate which does not meet the classification of investment property should be accounted for in accordance with other U.S. GAAP.

**Question 13:** The proposed amendments would require a right-of-use asset in which the underlying asset meets the definition of an investment property to be measured at fair value with all changes in fair value recognized in net income. Should those right-of-use assets be measured at fair value with all changes in fair value recognized in net income? If not, why and which measurement attribute would you recommend for those right-of-use assets?

Consistent with IAS 40, we do not support mandatory fair value accounting for investment property. However, we do support that an election of fair value measurement should permit a reporting entity for forgo the overlay of lease accounting.

Question 14: The proposed amendments would require an investment property entity to evaluate whether an interest in (a) another investment property entity, (b) an investment company as defined in Topic 946, or (c) an operating entity that provides services to the investment property entity should be consolidated under Topic 810. Should an investment property entity consolidate controlling financial interests in those entities? If not, why? Should an investment property entity consolidate controlling financial interests in other entities? If yes, why?

We do agree that an entity which holds a controlling financial interest in another entity – regardless of whether that entity holds real estate assets or some other investment – should be required to consolidate that entity unless that entity meets the classification of an investment company entity.

**Question 15:** The proposed amendments would prohibit an investment property entity from applying the equity method of accounting in Topic 323 unless the investee is an operating entity that provides services to the investment property entity. Is that exception to the equity method of accounting requirements in Topic 323 appropriate for investment property entities? If not, why?

As discussed above, if the investment does not qualify as investment property, it should be evaluated to determine if investment company entity guidance applies. If applicable, we agree with fair value accounting in a circumstance where the investor exercises significant influence over the investee as this approach is consistent with the specialized fair value accounting for investment company entities.

Question 16: The proposed amendments would require an investment property entity to measure investments in which it does not have a controlling financial interest or cannot exercise significant influence in accordance with U.S. GAAP. For example, that would currently require held-to-maturity debt securities to be measured at amortized cost and would permit certain equity securities to be measured using the cost method, unless the fair value option in Topic 825, Financial Instruments, is elected. Should an investment property entity be required to measure those investments at fair value with all changes in fair value recognized in net income instead of applying other U.S. GAAP? Why or why not?

We believe an investment property entity should record its investments in accordance with U.S. GAAP.

**Question 17:** The proposed amendments would require an investment property entity to measure its financial liabilities (such as its own debt) in accordance with other U.S. GAAP, which currently requires amortized cost measurement unless the fair value option in Topic 825 is elected. Should an investment property entity be required to measure its financial liabilities at fair value with all changes in fair value (including changes in an entity's own credit) recognized in net income instead of applying other U.S. GAAP? Why or why not?

We do not agree with a requirement to measure liabilities at fair value.

**Question 18:** The proposed amendments would require an investment property entity to recognize rental income on investment properties subject to a lease when lease payments are received or as the lease payments become receivable in accordance with the contractual terms of the related lease rather than on a straight-line or other basis. Is that basis of recognizing rental revenue appropriate for investment properties measured at fair value? If not, why?

As discussed earlier, we believe that if an entity elects fair value measurement for its investment property it should not be required to apply the lease accounting model.

**Question 19:** The proposed amendments would permit, as a practical expedient, an entity to estimate the fair value of its investment in an investment property entity using the net asset value per share (or its equivalent) of the investment if the entity would transact at the net asset value per share. Are there investments that currently qualify for the practical expedient that would no longer qualify for the practical expedient because of the proposed amendments? If so, please identify those types of investments.

We agree with the practical expedient of measuring fair value at net asset value per share if the entity transacts at the net asset value per share.

**Question 20:** Are the proposed disclosures appropriate for an investment property entity? If not, which disclosures do you disagree with? Should any additional disclosures be required? If so, why?

See our responses to Questions 16 and 17 under the ICE ED questions.

**Question 21:** Should an entity recognize the effect of adopting the requirements in this proposed Update as an adjustment to the beginning balance of retained earnings in the period of adoption? If not, what transition requirements would you recommend and why?

We do not believe the adoption of guidance like IAS 40 will have the same possible operational difficulties as the adoption of the proposed investment company entity guidance and, therefore, support an adjustment to the beginning balance of retained earnings in the period of adoption.

Question 22: How much time would be necessary to implement the proposed amendments?

See our response to Question 20 under the ICE ED questions.

**Question 23:** The proposed amendments would prohibit early adoption. Should early adoption be permitted? If yes, why?

See our response to Question 21 under the ICE ED questions.

**Question 24:** The proposed amendments would apply to both public and nonpublic entities. Should the proposed amendments apply to nonpublic entities (such as private companies and not-for-profit organizations)? If not, how should the proposed requirements differ for nonpublic entities and why?

In general, we do not believe it is good practice to create different application criteria for public and nonpublic entities.

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