

November 30, 2012

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

File Reference: No. 2012-220, Invitation to Comment, Disclosure Framework ("Discussion Paper")

Dear FASB Board Members and Staff:

The PNC Financial Services Group, Inc. ("PNC") appreciates the opportunity to comment on the above referenced Discussion Paper ("DP"). PNC supports the Financial Accounting Standards Board's ("the Board") efforts to improve the effectiveness of disclosures and believes that properly implemented change can benefit both users and preparers by not only focusing on the information that is truly relevant, but also by striving to reduce disclosure volume.

We believe the biggest challenge to developing a successful disclosure framework is establishing guidelines for determining relevance that are clear enough to enable consistent application and which succeed in making disclosures both more effective and less voluminous. As presented in the DP, the decision process relies on a reporting entity's subjective understanding of what would cause a financial statement user's assessment of cash flows to change by a "material amount." Although the DP suggests that only in borderline cases would it be necessary to make a potentially difficult judgment in determining whether a disclosure is relevant, it is impossible to know exactly how a particular user, and certainly to know how all users, use the information we disclose. Furthermore, it is likely that many preparers will have different views of what should be relevant to a user and will thus come to different determinations as to the relevance of identical disclosures.

To achieve the DP's stated goal, we believe that the Board should continue to establish detailed requirements, but allow for flexibility in those requirements as discussed in Chapter 3 of the DP. Specifically, implementing a model similar to those illustrated in section 3.11 paragraphs B or C, would enable reporting entities to disclose the information they believe to be the most relevant while limiting the risk to comparability that would exist if reporting entities were required to apply the decision questions discussed in Chapter 2. Alternatively, the Board could implement paragraph C on an industry-by-industry basis. Minimum requirements would be easier to develop for a group of reporting entities that have similar business models and such an approach would likely lead to a more focused, relevant set of minimum disclosures.

Additionally, for consideration in further developing this framework, we have observed or received the following feedback from our investors:

- There are certain items that investors and analysts primarily focus on and others that receive little if any attention. Of the items that stakeholders are consistently interested in, first and foremost, is our earnings release. Users direct significant focus here and view the 10-Q and 10-K filings as supplemental. However, within the notes to the financial statements, items such as the allowance for loan and lease losses, loan repurchase reserve, other contingencies, derivatives and parts of the fair value footnote (specifically the leveling of our assets and liabilities) receive significant focus. On the other hand, there is an opportunity to trim or even remove other footnote sections that consistently receive little or no attention. Examples of these would be goodwill and intangibles other than MSR, AOCI, and as noted below, year-todate presentation in our second and third quarter 10Q filings. Also, many users find portions of explicitly required fair value disclosures to be confusing and of limited value. The volume of the required disclosures combined with the complexity of accounting rules can overburden users. As an example, the disclosure of recurring and non-recurring fair values adds unnecessary volume. Also, disclosure of total realized and unrealized gains/losses on Level 3 instruments during the period and unrealized gains/losses on Level 3 instruments at the balance sheet reporting date often results in users being confused as to the difference. Finally, we have observed that, in regards to our fair value disclosures, investors' are most often focused on the reasons for reclassification to and from Level 3 and the amounts reclassified.
- It would be helpful to users (as well as preparers) if the Board were to work with the SEC to
  develop one set of unified reporting and disclosure requirements. Separate presentation of
  the MD&A and Footnotes results in a significant volume of redundant disclosures and
  identical or related topics being disclosed in multiple places.
- There is an opportunity to reduce volume in interim financial statements by eliminating yearto-date presentation. Based on discussions with our investors and analysts, there appears to be minimal interest in this information as users prefer to receive quarterly information that enables easy linking of results quarter to quarter.
- Section 7.6 of the Discussion Paper suggests that "Moving accounting policies outside financial statements (for example, to a company's website) may reduce the volume of the report..." Interestingly, when PNC's Investor Relations department interacts with analysts and investors, Note 1 Accounting Policies is often referenced. Given the complexity associated with accounting for financial instruments (e.g., loans), even well informed users find benefit in this information when trying to understand the significance of our other disclosures. As such, removing the Accounting Policies footnote and making it available on our website or elsewhere may actually decrease the effectiveness of our notes to financial statements.

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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,

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.

A member of The PNC Financial Services Group One PNC Plaza 249 Fifth Avenue Pittsburgh Pennsylvania 15222 2707 www.pncbank.com