



July 14, 2014

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

File Reference No. 2014-200: *Conceptual Framework for Financial Reporting – Chapter 8: Notes to Financial Statements*

Dear FASB Board Members and Staff:

The PNC Financial Services Group, Inc. (“PNC” or “we”) appreciates the opportunity to comment on the Proposed Statement of Financial Accounting Concepts: *Conceptual Framework for Financial Reporting – Chapter 8: Notes to Financial Statements* (“Proposed Concept Statement”). PNC supports the Financial Accounting Standards Board’s (“the Board”) efforts to improve the effectiveness of disclosures and believes that the Concept Statement will be useful to both the Board when considering new disclosure requirements as well as preparers in understanding the principles considered in the context of individual standard-setting projects.

While we agree with the Board that a concept statement relating to financial statement disclosure is necessary, we believe the content of the final concept statement should be more principled in nature with consideration of practical application rather than the prescriptive statements that are in the current draft. We are also concerned that the Concept Statement as currently drafted broadens the scope of the information contained in the notes to the financial statements. To address these concerns, we provide the following suggestions and additional topics that the Board should consider in the Proposed Concept Statement.

#### *Interim Reporting Requirements*

As we indicated during the Staff’s Disclosure Framework Project outreach<sup>1</sup>, one of the most important items to consider is the topic of interim reporting requirements. The default in setting disclosure requirements should not be to require both annual and interim disclosures. We agree with the considerations included in paragraphs D60 to D62 which discuss considerations specific to financial statements for interim periods. Interim period financial statements are an integral part of annual periods that are not intended to be full sets of general purpose financial statements. Rather than specifically prescribing interim disclosure requirements within each standard, the Board should provide a principle (i.e., paragraphs D60 to D62) which each preparer could apply to determine whether interim disclosure is necessary. We also recommend that the Board emphasize that any footnote disclosure

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<sup>1</sup> PNC participated in the Disclosure Framework – Entity’s Decision Process Field Study Project directed by the FASB Staff. As part of our participation, we discussed concerns relating to Interim Reporting on December 19, 2013.

which would substantially duplicate the disclosure contained in the most recent annual report may be omitted in subsequent interim periods.

#### *Future Oriented Information*

We generally believe that future oriented information belongs outside of audited financial statements. While the Proposed Concept Statement appears to be consistent with this view in paragraphs D22 to D25, the Proposed Concept Statement later suggests that including required disclosures to quantify specified changes in economic conditions, potentially with prescribed scenarios by the FASB, could be appropriate. We disagree with specified disclosure requirements of this nature as quantifying the impact of a change in condition without a basis for the scenario is arbitrary and not decision-useful information without providing further context – e.g., how likely is such a scenario to occur, and if the scenario occurs how related assumptions would be affected or what actions would be taken to mitigate the overall effect. Providing any of these impacts and related assumptions would result in incorporating subjective information within the notes to the financial statements that would be difficult to support and audit as it is more akin to forward looking information which is more appropriate in Management’s Discussion & Analysis (“MD&A”). Furthermore, inclusion in footnotes would not achieve greater comparability as entities may use different scenarios and different methodologies of determining their potential impacts.

#### *User of Financial Statements*

Within the Proposed Concept Statement, the “user” is frequently referenced. We agree that the “user” is the key stakeholder of the financial statements and footnotes and should be a focal point when establishing a framework for disclosures. Despite the frequent references, the Proposed Concept Statement lacks a definition or other guidance to help the Board identify the “user” for purposes of navigating the framework and prescribing new disclosure requirements, specifically for public entities. We recommend that the Board define or otherwise provide guidance, factors, or principles for consideration when identifying the “user” of financial statements. This recommendation builds off of the notion within Concept Statement 8 which explains that “users” may have different needs and/or different ways of analyzing financial information<sup>2</sup>. We believe that it would be appropriate for the final concept statement to include principles for identifying a “user,” and the principle would then be applied by an entity in determining its primary “user.” Permitting an entity to identify its primary user would focus preparers’ efforts to provide meaningful information for the intended “user,” resulting in greater disclosure effectiveness.

#### *Decision Questions*

The questions listed in Appendix A are very specific which seems inconsistent with the purpose of a concept statement and, therefore, should not be included. Additionally, the considerations for disclosure are line item focused. We observe that standard setting is often based upon broad transactions that are reported within multiple line items rather than a single line item which is also the way that we organize our notes to financial statements. For example, we have footnotes to address consolidations and fair value measurements for which the financial statement impacts are within multiple line items rather than a single line item in the financial statements. If the Board believes the

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<sup>2</sup> Paragraphs OB5 through OB10 of Chapter 1 within Concept Statement 8.

Appendix questions are useful in their decision making process, the questions should be reflective of broader transactions rather than line item focused.

*Interaction with Other Standard Setters*

While we acknowledge that U.S. GAAP is the responsibility of the FASB, we believe that the Board should consider disclosure requirements that are already prescribed by other regulatory bodies, such as the Securities and Exchange Commission ("SEC"), Office of the Comptroller of the Currency ("OCC"), and other bank regulators. We believe that duplicative information results in an overload of information, and makes the information provided less meaningful. As a result, we believe that the Board should acknowledge, when prescribing disclosure requirements, that similar information may already be required in another format by a regulatory or other standard setting body. If such information is already readily available to the "user," and the Board and regulatory bodies similarly define their intended "user," the Board should consider whether inclusion of the prescribed disclosure requirements within the footnotes is necessary and/or allow the entity to make that decision. If an entity were given such discretion, it might be appropriate to highlight the U.S. GAAP required elements when disclosed outside of the footnotes (e.g., in the MD&A) to indicate that the information has been subject to audit procedures rather than repeat the information within the footnotes.

One of our overall concerns is the unnecessary duplication and redundancy of required disclosures; therefore, we would alternatively support better scope definition between the regulatory bodies and the Board. For example, the SEC is also currently undertaking a project to improve disclosure effectiveness. We recommend that the SEC and the FASB work together on disclosure reform and clearly define what the footnotes and MD&A are meant to provide to the user. As part of this effort, we recommend that the SEC and FASB similarly define the intended "user" of the disclosures to avoid conflicting disclosure objectives, but also, most importantly, to avoid duplication or redundancy in disclosure requirements. We would also encourage the bodies to work together to define separate disclosure scopes in an effort to avoid future duplicative disclosure requirements. An example of this is discussed above with regards to future oriented information. Specifically, we believe it is appropriate for the disclosure of future oriented information to remain within the scope of the SEC (i.e., in the MD&A) but outside that of the FASB (i.e., in the audited financial statements and footnotes). Likewise, disclosure that explains or analyzes the accounting results of an entity (including any type of sensitivity analysis) should be within the scope of SEC requirements while disclosures that are directly related to explaining the accounting and the assumptions utilized to arrive at the related accounting results should be addressed by the FASB.

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We appreciate the opportunity to share our views with the Boards. We welcome any questions or comments you may have on this letter. Please contact me (412.762.1622) with any questions about PNC's comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Lauren Belot". The signature is fluid and cursive, with the first name "Lauren" written in a larger, more prominent script than the last name "Belot".

Ms. Lauren Belot  
Director of Accounting Policy  
The PNC Financial Services Group, Inc.

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

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.

via Web Comment Form, U.S. Securities and Exchange Commission

[A member of The PNC Financial Services Group](#)

One PNC Plaza 249 Fifth Avenue Pittsburgh Pennsylvania 15222 2707

[www.pncbank.com](http://www.pncbank.com)