March 25, 2019

Brent J. Fields
Secretary, Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

The PNC Financial Services Group, Inc. (PNC) appreciates the opportunity to provide the Securities and Exchange Commission with comments on the Commission's Request for Comment on Earnings Releases and Quarterly Reports, File No. S7-26-18, (the Request).

PNC is a diversified financial services company headquartered in Pittsburgh, Pennsylvania. We have businesses engaged in retail banking, including residential mortgage, corporate and institutional banking and asset management, providing many of our products and services nationally. Our retail branch network is located in markets across the Mid-Atlantic, Midwest and Southeast. We also have strategic international offices in four countries outside the United States. At December 31, 2018, our consolidated total assets were $382.3 billion.

Introduction

At the outset, we want to affirm our support for the Commission's on-going efforts to evaluate disclosure practices and requirements. We believe strongly that effective communication by public companies is critical for the efficient functioning of the capital markets. Reviewing the current disclosure regime to identify those aspects that work well, those that have outlived their usefulness, and those that perhaps never worked quite as desired should help the Commission—and issuers—maintain and enhance the quality and usefulness of information available to investors. In that regard, the questions posed in the Request are ones worthy of consideration. PNC is pleased to have an opportunity to share some of our thoughts on this topic.

We recognize that different issuers take different approaches to quarterly communication with investors. Generally, each issuer's approach results from individual considerations applicable to the specific issuer, including investor desires and expectations, with those often driven by broader practices within an issuer's industry. Thus, as the Commission notes in the Request, some issuers do not issue quarterly earnings press releases at all, while others do so more or less contemporaneously with the Form 10-Q filing. On the other hand, PNC and many others issue a quarterly earnings release generally well in advance of the related Form 10-Q filing. Many issuers, including PNC, have an earnings

conference call with investors (providing analysts an opportunity to ask questions); others do not. Some issuers, again including PNC, provide supplementary materials, generally including a slide deck summarizing the points being made on the earnings call; others do not. Due to Form 8-K requirements, earnings press releases are, we believe, close to universally filed or furnished on a Form 8-K prior to an earnings call. Practice may vary, however, as to whether other written communications are filed or furnished on a Form 8-K, posted on the corporate website, or both. In PNC's case, we provide detailed supplementary financial information and a slide deck on our website prior to the earnings call, both of which are furnished the day of the call on a second Form 8-K. We believe that, collectively, our earnings release materials satisfy a broad range of investor needs for current and comprehensive performance information. In most cases, we assume that issuers handle quarter-end disclosure in ways that work for them. In considering possible changes to the rules around quarterly disclosures, we encourage the Commission to take this factor into account.

Relationship of Earnings Releases and Form 10-Q Filings

First, we would like to address some of the Commission's questions regarding the relationship between earnings releases and Form 10-Q filings.[1] We concur with those who suggest that the primary way of communicating financial performance to investors is typically through the earnings release process, at least for those who use a separate earnings release. This may be particularly true for issuers, like PNC, that issue the release measurably in advance of the required filing.

From our perspective, there are several reasons why this is the case. Our earnings releases and related materials are designed to facilitate communicating the information that we believe is most useful to our investors. These materials also allow us to do so in a way that is more accessible than the same information contained in a long comprehensive filing. Simply put, it is easier for investors to glean what they need or want from our earnings releases, supplementary slides and the like than from the subsequent filings. When investor[2] inquiries and commentary suggest that additional information would be useful in the earnings release materials, or that information being provided is no longer desired, we adjust our earnings release disclosure accordingly. Although we are not in a position to evaluate the extent to which other issuers similarly try to communicate what they believe to be most important in a more accessible way through earnings releases, our understanding is that this is likely to be the case.

For companies that give analysts an opportunity to ask questions in a conference call accompanying the earnings release, it is also easier to address possible investor issues or provide clarification on the disclosure. These conference calls are generally Regulation FD compliant, while inquiries from investors after a Form 10-Q filing are not. Thus, issuers are able to provide extra disclosure and clarification in these calls in those areas of greatest concern to investors transparently to the market as a whole.

Our experience supports the view that the earnings release provides the primary source of actionable information to the market. Rarely is there information in our Form 10-Q filings that seems to affect the market for our securities in any meaningful way. On the other hand, it is routinely the case that the market responds, favorably or unfavorably, to what we disclose in our earnings release and what we

---

[1] The principles discussed here are also generally applicable to Form 10-K filings and preceding year-end earnings press releases. In line with the focus of the Request, we will primarily address here Form 10-Qs.

[2] References to investors in this letter generally also include analysts who, we believe, are generally acting on behalf of investors in their need for and analysis of information provided by issuers.

discuss on the earnings call. Observationally, this is also true for other companies that generally follow our practice in this area, and certainly so within our industry.

We are not aware of any disadvantages to this practice for the companies that elect to follow it. Clearly the information in the subsequent Form 10-Q may reflect changes, corrections or updates from the parallel information in the earnings release information. For PNC, for example, our capital ratios are estimates at the time of the earnings release and then finalized prior to the Form 10-Q; sometimes the ratios will then vary by a few basis points. In our experience, however, these differences rarely are significant to investors' overall perspective on an issuer.

As a result, we are strongly opposed to any suggestion that an earnings release and a Form 10-Q filing should be required to be filed at the same time. Such a rule would not expedite Form 10-Q filings much, if at all. Instead, those who follow our practice would likely delay communicating valuable information to the market, which would be detrimental to those companies who can and wish to do so and whose investors expect prompt earnings disclosure following quarter end.

Suggested Enhancement—Allow Issuers to Use Earnings Releases in Lieu of Form 10-Qs

As described above, our experience suggests that, where issuers provide meaningful earnings release disclosures, investors primarily rely on those disclosures rather than the formal Form 10-Q filings for their investment decisions. Preparing the quarterly Form 10-Q filing, however, absorbs significant resources. We believe it is possible to alleviate some of that burden without harming investors.

We believe that, on balance, whatever additional benefit is gleaned from the first and third quarter Form 10-Qs beyond the value provided by the information we and many others disclose through our earnings releases does not outweigh the burdens placed on issuers. In light of this consideration, we recommend that the Form 10-Q filing requirement be modified. Our suggestion is that the first and third quarter Form 10-Qs not be required, at least for those issuers that have, prior to the filing deadline, issued an earnings release.

We do not dismiss the value of periodically providing comprehensive disclosure as is found in Form 10-Ks and Form 10-Qs. Indeed, we are not suggesting eliminating the second quarter Form 10-Q requirement. Rather, we think that not all information that the investing markets finds useful beyond what is in earnings release disclosures needs to be provided quarterly. Much of the additional information found in required quarterly reports beyond what is in typical earnings release materials does not change much quarter to quarter. Other such information represents details that may be of interest to a subset of sophisticated investors, but not to the average investor and thus is not "material" within any of the standard definitions.

The differences between what is required in a Form 10-K and what is required in a Form 10-Q under the current rules already reflect the principle that some information, even if valuable to investors, reasonably can be provided annually rather than quarterly. We think the same principle applies to some information now required in Form 10-Qs—that it reasonably can be provided semi-annually rather than quarterly.

We understand that it may not be appropriate to leave the content of such an earnings release up to issuers, although we suspect that in most cases market pressures would lead to reasonable disclosure in earnings releases. Thus, the Commission may wish to establish minimum standards for earnings release

disclosure that would relieve issuers from a Form 10-Q filing requirement. In this regard, it is important that any minimum standards do not result in an earnings release being so comprehensive that the benefits both of avoiding the burden of preparing a full Form 10-Q and of being able to communicate key information to the investing community in a timely, concise and straightforward manner are measurably diminished.

Indeed, we think that our quarterly earnings disclosure—and that of many other issuers—generally would satisfy any reasonable minimum standard. And, as we stated above, we believe that our earnings release disclosure generally meets investor needs. We suggest that, in considering our suggestion and possible minimum standards to implement it, the Commission review disclosure by well-followed issuers that use an earnings release in advance of quarterly filings. We posit that these issuers are meeting investor demands, and their disclosure should serve as a good model for what appropriate minimum earnings release disclosure should look like.

We have some thoughts on the principles that could underlie an ability to use an earnings release to relieve an issuer of a Form 10-Q filing obligation. The following are, in our view, reasonable such principles:

- The release should contain, at a minimum, an income statement for the quarter and, after the third quarter, nine months just ended, with a period-end balance sheet, each including the line items that the issuer presents on the same financial statements in its Form 10-Qs. There would not be a requirement to include any other financial statements or footnotes. As the comparative periods would all be available elsewhere, issuers could decide which comparative periods to present.
- The release should also include a narrative that provides a high level overview of the quarter just ended, explaining those matters most significant to the average investor. This requirement should not be seen as a full MD&A replacement, but rather as an opportunity to cover the high points of what would be addressed in a full MD&A. Here, as well, issuers could decide how much additional detail to provide.
- If there has been a change in the risk factors facing the issuer that, under current rules, would lead to Form 10-Q disclosure under Part II, Item 1A, that additional disclosure could be provided in a Form 8-K filed by the current Form 10-Q filing deadline. We do not believe that such disclosure is common, but we understand why investors might not want to wait an additional quarter to learn of such developments should they occur. Putting it in a separate Form 8-K would retain essentially the same timing as prevails today.
- There may be other situations where disclosure related to the first or third quarters that would otherwise appear in a Form 10-Q should be included in a Form 8-K filed by the current Form 10-Q filing deadline. An example could be disclosure that would accompany a significant change in applicable accounting rules. In our industry, the adoption of CECL would represent such a situation.
- We would expect the earnings release itself to be included as an exhibit to a Form 8-K (as is the case today). We would not object if an earnings release being used in lieu of a Form 10-Q was required to be filed rather than furnished.

We understand that, in pursuing this path, the Commission might want to retain some of the existing certification requirements. If so, we suggest that any such certifications be modified from the current

forms to align with the reduced disclosure requirements. Also, we think it is reasonable to allow for any such certifications to be filed on a Form 8-K after the earnings release but by the current Form 10-Q filing deadline. Otherwise, given the work required to support some of these certifications, it could have the effect of forcing issuers to delay their earnings releases. As noted above, we encourage the Commission to avoid rule changes that make prompt disclosure following the end of a quarter more difficult.

Investors, particularly professional ones, will always want access to more information. They have the ability to pick and choose which information to focus on. Issuers, on the other hand, must provide all required disclosure and must build and operate appropriate processes and controls to ensure that the information meets all legal standards. But investor desire for more does not mean that additional information actually is material to their investment decisions. We urge the Commission to balance the likely value of mandated disclosure against the burden on issuers to prepare it, instead of just reacting to the expressed desire of investors.

Alternative—Reduced Form 10-Q Disclosure Requirements

The idea, raised in the Request, of allowing issuers to omit from Form 10-Q filings information already disclosed in a prior earnings release is attractive and worthy of consideration. We believe, however, that it would not help relieve the burden on issuers of preparing a Form 10-Q.

There is certainly much overlap between typical earnings release disclosures and what ultimately appears in a Form 10-Q. We anticipate, however, that it would be very difficult to exclude from a Form 10-Q information previously found in an earnings release, at least in a way that would help issuers. Under present rules, it would, for example, be difficult to exclude any information currently required in the financial statements, including the footnotes. As we suggest above, we do not think it is necessary for issuers to provide full interim financial statements three times a year. Once a year after the second quarter, in addition to the audited financial statements, should be sufficient. As for the MD&A, another area of overlap, the material that could be excluded most typically will not come in the form of discrete sections or even full paragraphs.

It is important that each of the MD&A and the prior earnings release on its own provides a coherent narrative, easily understood by readers, and if done well both disclosures accomplish that task. There is a risk that an MD&A that excludes earnings release disclosure might not achieve that goal, which would likely lead to the inclusion of much information otherwise permitted to be excluded and thus in turn reducing the benefit to the issuer of the permitted reductions.

An unintended consequence of this alternative is that earnings releases could begin to resemble Form 10-Qs in length and complexity, which does not address the issue that initially led to this idea. It would also likely make earnings releases less useful as a means for prompt disclosure of the most important information.

In our view, the only way that a bifurcated disclosure as suggested would work effectively, both from an effective disclosure standpoint and in terms of facilitating a reduction of issuer burdens, would be if the Form 10-Q requirements were reduced. This approach could work if the Form 10-Q requirements, at least following the first and third quarters, more closely resembled what quality earnings releases already include, with additional disclosure around those areas not typically covered in earnings releases.

Issuers could elect whether just to file a Form 10-Q or to provide some of the Form 10-Q disclosure in a prior earnings release.

We thank the Commission for the opportunity to comment on the Release and respectfully ask for consideration of the perspectives we express in this letter. If you have any questions or would like more information regarding our comments, please do not hesitate to contact the undersigned ([redacted]; [redacted]) or Edward S. Rosenthal, Deputy General Counsel, Corporate and Securities ([redacted]).

Sincerely,

Katharine (Katy) Reeping
Director of Financial Reporting and Analysis