



Interpretive Letter #1137
October 2013

October 7, 2013

James S. Keller
Chief Regulatory Counsel
The PNC Financial Services Group, Inc.
249 Fifth Avenue
One PNC Plaza, 21st Floor
Pittsburgh, PA 15222-2707

Re: Request by PNC Bank, National Association, to Terminate Operating Agreement
and Modify Indemnification Agreement

Dear Mr. Keller:

This is in response to your request, dated August 14, 2013, that the Office of the Comptroller of the Currency (“OCC”) terminate a condition imposed in writing in connection with the OCC’s approving the purchase by PNC Bank, National Association, Pittsburgh, Pennsylvania (“Bank”), of certain auction rate securities (“ARS”) from an affiliate. The OCC’s approval of the Bank’s purchase of the ARS was subject to a written condition enforceable under 12 U.S.C. § 1818 that the Bank, prior to the acquisition of the ARS, enter into an operating agreement with the OCC, which would require the Bank to enter into an indemnification and repurchase agreement with its holding company (“Section 1818 Condition”).¹

Pursuant to the approval, the Bank and the OCC entered into an operating agreement, which required the Bank to enter into an indemnification and repurchase agreement with its holding company, PNC Financial Services Group, Inc. (“PNCFSG”). In turn, the indemnification and repurchase agreement entered into by the Bank and PNCFSG required PNCFSG to repurchase the ARS by a date certain and to indemnify the Bank for certain losses and expenses the Bank incurred as a result of its acquisition of the ARS. In addition to termination of the Section 1818 Condition, you also request that the OCC consent to the termination of the operating agreement and provide its written, non-objection to modify the indemnification and repurchase agreement, as discussed below.

¹ Interpretive Letter No. 1124 (November 3, 2009).

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In your letter, you represent that PNCFSG, through a non-bank subsidiary, completed the repurchase of the ARS from the Bank on October 31, 2011, within the timeframe required by the operating agreement; no losses were booked to the Bank as a result of these repurchases; and, since completion of the repurchases, the Bank has incurred no losses or expenses for which PNCFSG would have been required to indemnify the Bank under the indemnification and repurchase agreement. As a result, you request that the OCC terminate the Section 1818 Condition, provide its consent to terminate the operating agreement, and provide its non-objection to allow the Bank and PNCFSG to modify the indemnification and repurchase agreement (i) to eliminate the repurchase requirement and (ii) to revise the termination date of such agreement to December 31, 2016.

Based on the information and representations in your letter, the OCC poses no supervisory objection to the proposed modification of the indemnification and repurchase agreement. With the repurchase of the ARS and the proposed modifications to the indemnification and repurchase agreement, we believe the purposes of the operating agreement will have been achieved. Therefore, the OCC hereby terminates the Section 1818 Condition and consents and agrees to the termination of the operating agreement.

Sincerely,

/s/

Sally G. Belshaw
Deputy Comptroller
Large Bank Supervision