WELLS FARGO

Mr. Patrick Loncar
Banking Supervision & Regulation
Federal Reserve Bank of San Francisco
101 Market Street
San Francisco, CA 94105

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

November 7, 2011

Re: FR Y-14A and FR Y-14Q (Capital Plans; Proposed Agency Information Collection Activities)

Dear Mr. Loncar and Ms. Johnson:

Wells Fargo appreciates the opportunity to comment on the proposed FR Y-14A and FR Y-14Q data collection schedules that were outlined in the Federal Register, Vol. 76, No. 173 on September 7, 2011. The purpose of this document is to provide detailed feedback on the proposed schedules for your consideration. Overall, we believe there is significant merit to the comprehensive capital analysis and review process envisioned by the Board of Governors and we appreciate the opportunity to comment on the schedules. However, for the reasons discussed below, we have concerns with several components of the schedule, some of which are substantive in nature. We have categorized our feedback into two sections: comments and clarifications. Comments are those items we perceive to be of the highest priority. Clarifications are either items for which we would like clarification in order to complete the schedules properly or minor suggested changes to the documents themselves.

Section I: Comments

A. Common to both FR Y-14Q and FR Y-14A

1. **Clarification of Confidentiality**

   A significant amount of the data provided in both the quarterly and annual schedules is of a confidential nature. It is our understanding that all elements of the FR Y-14Q, FR Y-14A and Comprehensive Capital Analysis and Review (CCAR) Capital Plan submission are for use by the Federal Reserve for internal purposes only and will not be shared more broadly. If this is not the case, we request the opportunity to identify data provided in specific sections that should remain private.

WELLS FARGO

2. **Pre Provision Net Revenue (PPNR) Schedules - Prescribed Business Segment View**

a) Overall Comments

- The PPNR template, which is comprised of the PPNR Submission/Projections Worksheet, Net Interest Income Worksheet, and PPNR Metrics Worksheet, asks for new information related to the Balance Sheet, Net Interest Income, Non-Interest Income, and Metrics. Within the PPNR Schedule, the PPNR Submission/Projections and Metrics Worksheets are organized by standardized business segments, which are not currently mapped within our management reporting structure. We do not manage to these business segments and currently have neither processes nor infrastructure in place to report history (a new quarterly requirement) or provide projections (a new annual requirement) that line up with these defined views. To resolve this issue, we would need to create new allocation (funding, expenses, and capital) methodologies that work for both actuals and projections. It is unlikely these methodologies could be developed in the near-term in a way that would be meaningful to internal or external reviewers of the information and therefore would likely hinder the integrity, transparency, and reproducibility of the analysis. Last year, the business segment information was not required for the PPNR template, and in other materials we were permitted to explain our PPNR results within our own management reporting structure. Two mutually beneficial alternatives present themselves:
  - Postpone submission of the PPNR templates to allow time to develop a format and timeline that can produce more meaningful data that represents our business lines.
  - Complete the PPNR template using our Asset Liability Management and Management Reporting systems structure.

b) Detailed Comments on PPNR

- Comments for specific worksheets with the PPNR Template are outlined below.

PPNR Submission/Projections Worksheet

1) <u>Net Interest Income Section</u>

- Net Interest Income by Business Activity on the PPNR Submission/ Projections Worksheet: New methodologies, including asset allocations, equity allocations, and funding assumptions to each business activity (e.g. Sales and Trading), would need to be created to populate this worksheet. Given a short timeframe, a rudimentary approach may be required, which may produce results that may not fully describe the profitability or risk of the activity.
- The predefined business line splits requested for the Net Interest Income forecast do not align with our standard hierarchy for the Asset Liability Management or Management Reporting. Last year, submission of Net Interest Income by these business unit splits was optional. In order to complete the Net Interest Income forecast in the proposed structure, we

would need to develop methodology and coordinate with product groups, which would be very time-consuming. Our concerns relate to each of items 1 – 10 under Net Interest Income by Business Segment. These lower level breakouts are not complete balanced balance sheet businesses with both assets and liabilities, so the Net Interest Income for these activities, without the creation of allocation methodologies, is not a meaningful measure within the Firm.

- The template requests history back to Q1 2009 for these same businesses. Because the template standard views do not align with our internal business line views, we would need to coordinate with product groups which would be very time intensive. It is also unclear whether any methodology employed could be translated equally to history and projections. This problem may require even further simplification of methodology which would call into question, as stated above, the integrity, transparency, and reproducibility of the reporting. We request that we be able to substitute our management reporting view for this section.

2) Non- Interest Income and Expense Section

- New methodologies would need to be developed for the Non-Interest Income and Expense portion of the worksheet. The P&L methodologies would need to be developed in tandem with the Balance Sheet and Net Interest Income methodologies. This additional coordination requires time to complete in an accurate, reproducible manner.
- Business segmentation for our Commercial/Wholesale Line of Business financials would need to be produced manually. Based on the standard business segment descriptions, many Commercial/Wholesale businesses would be assigned to Commercial Lending. For example, Treasury Services (line 18) is not managed as a separate business. Consequently, we would have to back out service charges and deposits from several businesses. This allocation process requires time to complete in an accurate, reproducible manner.

Net Interest Income Worksheet

- Several of the requirements (such as Trading Liabilities funding balances and rates (lines 25 & 31) and Subordinated Notes & TRUPS funding balances and rates (lines 26 & 32) are non-standard splits in our management reporting framework. Therefore, we will need to coordinate with several groups internally to obtain this information, which will require a significant amount of time.

PPNR Metrics Worksheet

- The Metrics worksheet requests information by business activity, geography, and in some cases loan type. Most of the metrics data in the

WELLS FARGO

worksheet are not the same metrics that we use to manage our businesses, and it would require significant additional work to gather these metrics. Some of the historical data (especially 2009) may be difficult to obtain due to systems integration.

3. **Trading and Counterparty Schedules - As-of Date and Related Issues**

- The expectation for the FR Y-14Q trading data to be submitted in mid-December, with a still unknown as-of date, does not provide the BHC with an appropriate amount of time to adequately review the submission with the appropriate level of due diligence given the complexity and magnitude of the requirement. We therefore recommend the trading template be given an ample period of time for submission such as the 40 day requirement effective in 2012 in light of the logistics required to provide accurate reporting at such a granular level. To that end, we request the as-of date be released as soon as possible.
- The NPR indicates that "The as-of date for the Trading and CCR data would be during the 3rd or 4th quarter. The as-of date would be communicated to the BHCs after it had occurred but before year-end". This results in a very large potential window from as-of date to notification date of up to 6 months, or about 130 business days. The format of the CCAR approach to trading and counterparty risks requires the reuse of significant volumes of trading data from the "as-of" date in a relatively short period of time. In order to maximize the ability of firms to provide timely and efficient responses, and minimize potential data storage and recovery burdens, we recommend the regulators establish a maximum period between the notification date and the as-of date, and that this period be no more than 10 business days. In addition, we recommend the regulators again permit some flexibility around the exact date used, as was allowed in the 2010-11 stress test.

4. **Trading Schedules – Other Fair Value Assets**

- There are multiple places in the proposed FR Y-14A/Q submissions that reference 'Other Fair Value Exposures'. The first is in the 'Trading, PE & Other Fair Value Exposures' template in the FR Y-14Q. The second is in the 'Trading, PE & Other Fair Value' tab of the Summary Schedule in the FR Y-14A. We are requesting clarification of instruments expected to be included in the line item identified as 'Other Fair Value Exposures'. Based on the Fair Value disclosure in our 10Q, our bank's fair value assets consist of certain loans held for sale, all trading, all AFS, certain derivatives, some mortgage servicing rights, and other items. We are currently accounting for loans held for sale, trading, AFS, derivatives and mortgage servicing rights through other FR Y-14A/Q schedules. We request confirmation that fair value assets reported elsewhere such as those listed above should be excluded from items reported as 'Other Fair Value Exposures'.
- Trading Schedule / 'Other Fair Value Assets' tabs – Similar to other tabs in this template such as 'Private Equity', we request an additional column be added with the heading 'Unspecified'.

WELLS FARGO

B. Comments Specific to FR Y-14Q

1. **Securities Risk Schedule / Securities 1 – "Best efforts"**

   - This template includes several new fields that were not part of earlier quarterly submissions for our AFS portfolio. The instructions at the top of the schedule includes the following: "Book Yield, Purchase Price, Purchase Yield and Purchase Date fields (columns M, N, O and P) are to be completed on a best-efforts basis; all other fields, highlighted in gray, are mandatory." We are requesting confirmation of the meaning of the phrase "best-efforts basis". These fields are very difficult to populate and our interpretation is that they are optional.

2. **Wholesale Risk Schedule / Corporate Loan**

   - The compressed timeframe to comply with the Corporate Loan Data Collection requirements is not adequate to accommodate a complete collection of some of the data fields. An extensive manual effort is necessary to populate a portion of the mandatory fields in order to produce a complete loan level submission in the requested format. In comparison, multiple quarters were given to complete the collection of required data elements on the commercial real estate portfolios. Given the manual effort to collect the missing data elements, we would support setting a facility threshold for this effort and establishing a phase-in approach over several quarters for the various data elements, focusing on the most critical data elements first.

3. **Wholesale Risk Schedule / Corporate Real Estate**

   - The CRE template has several new fields related to cross-collateralization of loans. This information is generally not readily available and will require a manual effort to complete. Similar to the evolution of the CRE template, we request a phase-in approach for these new fields, allowing banks to initially focus on the loans with the highest impact.

   Comments related to specific fields in the Corporate Real Estate template:

   a) Field No. 10: Origination Date

      - Description in guidance: *"Date the commitment to lend came into being for each CRE Loan. If the CRE Loan has been renewed/rewritten/amended use that date as the Origination Date (except for extension options that were at the sole discretion of the borrower). The date given here should match the date given in fields 12 and 13. The renewed/rewritten/amended date would include all credit actions that require bank approval and that change the contractual date of the obligation."*

      - Our bank will report according to the definition in the 9/30/2011 published guidance. This differs from an example presented on the 10/11/2011 CRE All

Bank conference call hosted by both the OCC and The Federal Reserve Bank of Chicago.

- In the case of loan A being cross-defaulted and cross-collateralized to other existing loans (B & C) subsequent to the origination of loan A, generally all the impacted loans (A, B & C) would have been modified at the same time to effectuate the cross. Therefore, the origination dates for all the loans would be updated to the date the cross was implemented.

b) Field Nos. 13 and 41: Value at Origination / Current Value

- Description in guidance: *"In the case where loans are cross-collateralized and/or cross-defaulted, please provide the sum of all property values, net of pari passu and superior liens not owned by the reporting institution."*
- Some calculated LTVs may be overstated for loans that contain non CRE as part of the collateral. The request for "sum of all property" is being interpreted as commercial real estate values only. This understanding was confirmed during the 10/11/2011 CRE All Bank conference call hosted by both the OCC and The Federal Reserve Bank of Chicago.
- Many of our loans are cross-defaulted. The pool of collateral is independent unless specifically identified as cross-collateralized. In the case where loans are cross-defaulted but are not cross-collateralized, to pool the collateral values would misstate the LTV by inaccurately representing the legal ability to pursue other collateral. We request that reference to cross-defaulted loans by removed from this requirement since it will result in misleading data.

c) Field 43: Cross-Collateralized Loan Numbers

- Description in guidance: *"Please enter the Loan Numbers (Field #1) for all the loans which are cross-collateralized and/or cross-defaulted. This includes loans that have less than $1 million committed."*
- In general, this will be a manual effort to collect the data in the format requested. Current action plans to fully automate the CRE Data Collection effort will be reviewed and updated to address these changes, focusing on loans with the most material impact.
- The guidance does not provide clarity around how to treat different types of cross-collateralized loan structures. As an example, loan ABC may be crossed with loan XYZ, but XYZ may not be crossed with ABC. We request additional examples be provided to illustrate a wider range of possible scenarios.

WELLS FARGO

C. Comments Specific to FR Y-14A

1. **Counterparty Schedule – Number of Scenarios**

   - The addition of the "FR specification" for Expected Exposure (EE) appears to potentially double the number of scenarios that may need to be run for a firm that does not apply those Specifications in its normal day-to-day operations. EE and Maximum Potential Exposure (MPE) measures used by firms in their management of counterparty credit risk are often generated from complex and technology-intensive processes, changes to which can require significant and time-consuming efforts. Furthermore, unless firms fully adopt the FR Specification for their day-to-day activity, such changes would need to simultaneously permit more than one approach to the treatment of collateralized counterparty exposures, placing further strain on technical and counterparty resources. Any requirement to apply an FRB-specified approach to such a fundamental measure should only be phased-in after appropriate consultation and allow firms sufficient time to implement the necessary changes.

2. **Summary Schedule / Income Statement Worksheet - ALLL vs. ACL**

   - Provisions represent the change in reserve balance over (reserve build) or under (reserve release) the chargeoff usage. We provide for the entire Allowance for Credit Loss (ACL) through the provision line item (not just the Allowance for Loan and Lease Losses or ALLL) in our normal practice. To be able to align historical and forecasted provision, we request to change the ALLL reference on the Income Statement Worksheet to an ACL reference. This allows us to align the provision to our current practice which is to provide for the ALLL and the Allowance for Unfunded Credit Commitments (AUCC). Specifically, in the 'Income Statement Worksheet', we request to change the following:

     ALLOWANCE FOR LOAN and LEASE LOSSES to **ALLOWANCE FOR CREDIT LOSS**

     Row 36: ALLL, prior quarter to ACL, prior quarter
     Row 39: ALLL, current quarter to ACL, current quarter

3. **Summary Schedule / Capital Worksheet - Deferred Tax Item**

   - The formula for Item 61 is currently Item 53 (net deferred tax asset) less Item 60. We believe the formula in Item 61 should be modified to include *either* Item 53 or Item 54 (whichever has a non-zero value in a given submission) *less* item 60. It is possible for a bank to have a net deferred tax liability, yet the formula in item 61 only accommodates a net deferred tax asset. A bank could have a deferred tax liability but still have a deferred tax asset that needs to be included in the formula for item 61. We ask that the formula be fixed in the final schedule.

WELLS FARGO

4. **Summary Schedule / Retail Repurchase Worksheet**

Comments and clarifications related to specific fields in the Retail Repurchase Worksheet:

a) We do not have visibility to losses realized by investors and are therefore unable to provide data in the fields 'Net Credit Loss Realized to-date' and 'Estimated Lifetime Net Credit Losses'. Please confirm this is acceptable; if not, please provide additional guidance about what is expected in these fields.

b) We will measure the 'Repurchased UPB' field by the original Note Amount. Please advise if this is not acceptable. We would also like to clarify whether 'Repurchase UPB' is intended to only reflect actual "Repurchases" (brought on balance sheet) or if it should also include Make-Whole and Settlements (to then reflect all representation and warrant exposure).

c) We would like to confirm that the 'Repurchase Loss-to-date' and 'Settlements/Make-Whole Payments' fields are mutually exclusive and that the sum of the two fields should equal Total Representation and Warrant Losses (though not captured in the template). We can provide the information as requested by individual vintage for most loans. We may not be able to retrieve to-date activity related to some of the older vintages displayed. We should have reasonable access to information needed to provide activity occurring over the past 5 years (since January 2006), but information before that date may not be available.

5. **Summary Schedule / Securities Related Worksheets**

Securities CUSIPs Worksheet

- The 'Securities CUSIPs Worksheet' instructs that "For each CUSIP that incurred losses, please state the CUSIP and the amount of loss projected (over the entire forecast horizon)...Total projected losses should reconcile to the total sum of projected losses provided in Securities Worksheets 1 and 2." We plan to include in this worksheet all CUSIPs that experience an actual OTTI loss in the P&L (i.e. credit loss portion). There are cases where a CUSIP may experience a non-credit loss but not result in credit OTTI loss. In these cases, and consistent with last year, we would not include them in these worksheets. Following are a few examples to help illustrate our intended approach:

Data Examples				Proposed Completion of 'Securities CUSIPs Worksheet' tab			
CUSIP	Book Value	Market Value	OTTI (P&L)	Include in worksheet?	Credit Loss Portion	Non-Credit Loss Portion	Total
1	100	105	0	No - No P&L loss	*N/A*	*N/A*	*N/A*
2	100	92	2	Yes	(2)	(6)	(8)
3	100	50	0	No - No P&L loss	N/A	N/A	N/A
4	100	30	20	Yes	(20)	(50)	(70)

The above approach was approved by the Fed during our November 4 meeting. If for some reason our understanding is inaccurate, please provide more specific guidance.

WELLS FARGO

Income Statement Worksheet

- Item 27 (Other-than-temporary impairment – Available for Sale (AFS) Securities) currently pulls from the 'Total OTTI' column in the 'Securities Worksheet 1' tab. This column currently includes both credit losses (taken through P&L) as well as non-credit losses that do not impact P&L. Based on our discussion with the Fed on November 4, this field should only equal the credit loss portion of OTTI (taken through P&L). Therefore, the formula needs to changed to pull from columns F, I, L, O, R, U, X, AA, and AD of the 'Securities Worksheet 1'. Otherwise – if the current formula pulling both credit and non-credit losses is correct - please confirm that this total amount is not impacting net income and is on the 'Income Statement Worksheet' tab purely from an informational perspective.
- Item 47 (Realized Gains (Losses) on available-for-sale-securities) does not currently link to any of the Securities worksheets in the Summary Schedule. Based on our discussion with the Fed on November 4, only the 3Q11 cell should contain any gains/losses due to the sale of AFS securities; no sales should be assumed during the projections period. Therefore, our understanding is that this field for all the projection periods should tie to the 'Securities Worksheet 1' in the following columns: F, I, L, O, R, U, X, AA, and AD. Please inform if our understanding is correct.
- More detailed instructions for both item 27 and item 47 would be very helpful to ensure we are completing the schedule as expected.

Section II: Clarifications

A. Clarifications Specific to FR Y-14Q

1. PPNR Template

There are currently a couple of inconsistencies between the PPNR Instructions and Worksheets in the 14Q.

a) PPNR Instructions for the 'PPNR Submission Worksheet' use 'North America' and 'Other North American' designations versus the actual worksheet, which uses 'Domestic' and 'International' designations. The annual PPNR template also uses the terms 'Domestic' and 'International', so we request that the instructions be changed to be consistent with the two data schedules.

b) Item 1 in the 'PPNR Metrics Worksheet' is listed as "Credit Card Interchange Revenues - Gross (exclude charge cards)". Please confirm that you intended to exclude charge cards instead of other items such as unsecured borrowing and debit cards. This seems inconsistent with Instructions for Item 1A in the 'PPNR Submission Worksheet', where "Credit Cards" is defined as "Credit and charge cards offered to retail customers. Exclude other unsecured borrowing and debit cards."

c) It would be helpful to include all relevant FR Y-9C references into the actual PPNR worksheets (similar to how the references are included in many tabs in the annual 'Summary Schedule'). For example, net interest income, noninterest income and noninterest expense all have ties to the FR Y-9C and are missing references.

d) Item 24 in both the quarterly 'PPNR Submission Worksheet' and in the annual 'PPNR Projections Worksheet' is labeled 'Operational Risk Expense (links to Operational Risk Template)'. This makes sense for the annual template, but the quarterly template does not have a corresponding Operational Risk Template with historical values. Please advise if/how this field should be completed.

2. **Corporate Loan Data Collection template**

a) If the value in Field #36 (Security) equals "unsecured", what is the appropriate value to be entered in Field #37 (Lien Positions)? The allowable values listed are limited to "Senior" and "Subordinate."

b) The list of standard country codes on page 11 is incomplete. It only includes countries starting with A through M. For completeness, please add the rest of the list to this instruction.

3. **Commercial Real Estate Data Collection template**

- Similar to the Corporate Loan Data Collection template, the list of standard country codes on page 11 is incomplete. It only includes countries starting with A through M. For completeness, please add the rest of the list to this instruction

B. Clarifications Specific to FR Y-14A

1. **Summary Schedule / Various Worksheets**

- Many of the tabs already include a column for 3Q11 actuals to be populated. It would be helpful to add a similar column for 3Q actuals to the following worksheets: Retail Balance Projections, Retail Loss Projections, Projected Op Risk Losses, PPNR Projections Worksheet, PPNR NII Worksheet, and PPNR Metrics Worksheet.

2. **Summary Schedule / Income Statement Worksheet**

- In general, it appears that many more items than are indicated should tie to an FR Y-9C field (such as several of the 'Loan Losses' fields tying to schedule HI-B and ALLL fields tying to HI-B). Please add all other items that should have a direct tie to the FR Y-9C so we can make sure we are meeting expectations.
- We would welcome more guidance on Item 25 (Total Commitment and Contingent Losses). Please provide a definition and/or a tie to an FR Y-9C field that is appropriate.

WELLS FARGO

3. **Summary Schedule / Balance Sheet Worksheet**

   - The formula in Item 8 (HELOCs) is currently pulling from Item 2 (1st Lien HELOAN Balances) in the 'Retail Balance Projections'. It should instead pull from Item 4. Once that correction is made, the HELOAN balances will need to be included in a different line item in the Balance Sheet Worksheet.

4. **Summary Schedule / Capital Worksheet**

   - The note for Item 4 should read "Must match item 54 on the Income Statement Worksheet =BHCT4340". It currently references item 53 instead of 54.

5. **Summary Schedule / Retail Repurchase Worksheet**

   - The items in Tables D.1 and D.2 could be improved to include formulas to pull the data from Tables A, B and C instead of being cells requiring direct data input.

6. **Summary Schedule / Retail ASC 310-30 Worksheet**

   - The instructions for this tab seem to focus on retail loans. Please confirm whether or not commercial PCI loans should be included in this tab as well.
   - The Unpaid Principal Balance as requested is defined as "Total unpaid principal balance for ASC 310-03 Purchase Credit Impaired accounts on the balance sheet as of quarter-end." Please confirm whether you would like us to provide customer balance or net bank (book) balance in this field. Net bank (book) balance is what we typically show in our credit schedules to generate loss rates.

7. **Summary Schedule / Historical Operational Risk Capital**

   - This tab requests data at the total firmwide level and at the unit-of-measure level. We would like to clarify whether this tab is intended to capture historical operational risk capital or historical operational risk losses for both firmwide and unit-of-measure data.

8. **Summary Schedule / PPNR Projections Worksheet**

   - Item 24 (Operational Risk Expense) should have a formula pulling from the 'Projected Op Risk Losses' tab. Currently it references the connection, so the formula just needs to be added.

9. **Summary Schedule / PPNR Net Interest Income Worksheet**

   - Item 37 should be 'Total Net Interest Income'. It currently has an error copied over from another worksheet and says 'Excludes Goodwill Impairment included in Item 32.'

WELLS FARGO

We are appreciative of the FRB staff as they have been particularly helpful in addressing questions and concerns regarding the FR Y-14A and FR Y-14Q schedules. We recognize that the CCAR is a process of continual improvement, and we will continue exploring additional avenues for strengthening our program.

We will gladly make ourselves available for any further consultations and/or questions you have. Please contact David Mason at 415-396-0390 if we can assist you in any way.

Sincerely,

David T. Mason

David Mason
Head of Capital Management & Treasury Finance
Wells Fargo & Co.