



August 23, 2013

Robert deV. Frierson  
Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue NW  
Washington, DC 20551

Dear Secretary Frierson:

Wells Fargo & Company (“Wells Fargo”) appreciates the opportunity to comment on the proposed FR Y-14A and FR Y-14Q information collection schedules and instructions that were outlined in the Federal Register, Vol. 78, No. 122 on June 25, 2013.

We support the efforts of the Board of Governors of the Federal Reserve System (the “Board”) to improve its understanding of the risk measurements of bank holding companies (“BHCs”) and its assessment of the capital adequacy of BHCs. These efforts, however, should strike an appropriate balance between the Board’s need for data and requests that are practical and administratively manageable, both for the Board and for the BHCs. We believe that in current form, the proposal is not effective in achieving this desired balance. Our letter focuses on four areas for consideration:

- Increased immaterial exposures captured in the Counterparty Schedule
- Earlier market shock date to avoid compressed deliverables
- Usefulness of expanded data requirements
- Implementation of final Basel III rules

### **Increased immaterial exposures captured in the Counterparty Schedule**

#### *CP Credit Valuation Adjustment (CVA) by Top 95% of CVA Worksheet*

The expansion of the scope of this worksheet to include the top 95% of CVA will result in a significant increase in Wells Fargo’s reporting of immaterial counterparty and related Expected Exposure (EE) profile data with minimal, if any corresponding supervisory benefit. Although Wells Fargo is comparable to other institutions subject to the market shock in terms of our total assets<sup>1</sup>, we are not comparable to these institutions in terms of the scale of derivatives activities as our total derivative assets<sup>2</sup> represent only 10% of the balance of the next largest institution. Expanding the scope of reporting from the current top 200 CVA will increase the level of granularity in our reporting and present additional operational burdens, but it will not enhance the Board’s understanding of our overall risk profile. Specifically, there will be a seven-fold increase in the number of counterparties that we would report, and we would be required to process and complete more than 300,000 rows of associated profile data. The materiality of this expanded data request, however, is questionable, as more than 85% of the expanded

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<sup>1</sup> Top 50 HCs available on the National Information Center website: <http://www.ffiec.gov/nicpubweb/nicweb/Top50Form.aspx>

<sup>2</sup> OCC’s Quarterly Report on Bank Trading and Derivatives Activities First Quarter 2013

counterparty list falls below \$500,000 in exposure and approximately half of the list is below \$100,000.

To avoid unnecessary reporting of immaterial counterparty data and the associated processing burden, we encourage the Board to incorporate materiality considerations on the individual counterparty exposure data requirement or to consider the inclusion of an individual CVA threshold below which no counterparty profile data is required. Alternatively, the burden associated with the increase in counterparty reporting requirements could be partially mitigated by an earlier issuance of the global market shock scenarios and as-of-date for the exercise.

### **Earlier market shock date to avoid compressed deliverables**

The current timeframe, in which the Board communicates the trading and counterparty as-of-dates to impacted BHCs by December 1<sup>st</sup>, results in an extremely compressed time frame during which BHCs must validate, document and produce quality results. The proposed expansion of reporting requirements will introduce additional burden to this already strained timeline.

While we understand the Board's desire to provide timely global market shock details to ensure that the assumptions remain relevant to the current environment, the proposed FR Y-14A Counterparty data schedule significantly increases the reporting requirements above and beyond those required for prior CCAR exercises. We believe issuing the global market shock construct in early November would not compromise the relevance of the shock with respect to CCAR but would allow us to better comply with the increased reporting requirements set forth in this information collection proposal. A strong stress testing and capital planning process is beneficial to all, and presently it is severely constrained by the timing of the global market shock communication relative to the overall reporting requirement.

### **Usefulness of expanded data requirements**

The scope of data requirements has expanded significantly with each successive annual cycle and it is unclear how this continued evolution of the templates and instructions materially improves the Board's assessment of capital adequacy. Since the FR Y-14 templates were implemented in late 2011 there have been multiple releases of new templates, as well as the implementation of the FR Y-14M in June 2012, which added monthly reporting of two loan-level files (residential mortgage and home equity) and one account-level detail file (credit cards). Since the introduction of the FR Y-14M, the number of reporting line items has increased 40% across the three monthly detail files.

The annual schedules (FR-Y14A) have also grown in scope every year. The Summary Schedule expanded in 2012 with a nearly 50% increase in line items and will see a similar increase under the current proposed template. In addition, other schedules have been added to the scope of reporting (e.g., Operational Risk Schedule implemented in 2012), and other line items required in existing schedules have been significantly increased (e.g., 50% increase in Basel III Schedule line items in 2012). Specific to the FR Y-14A Summary Schedule, the current proposal would substantially increase the reporting of capital related items by quadrupling the capital worksheets and increasing the capital line items by a multiple of more than five.

Similarly, the quarterly schedules (FR Y-14Q) have expanded since implemented in 2011. For example, new schedules have been added (Operational Risk schedule [June 2012], FVO HFS Schedule and Supplemental Schedule [September 2012], and Mortgage Servicing Rights Schedule [March 2013]). In addition to new schedules, the level of detail required in existing

schedules has become more granular. For instance, the line items on the Wholesale Risk Schedule have expanded by more than 40% [June 2012], and in September 2012, the level of detail continued to grow across various schedules (e.g., nearly 35% increase in Basel III-Dodd Frank Schedule line items; 20% increase in PPNR items; more than 24% increase in Trading Schedule reporting). The current proposal will introduce yet more detailed reporting on the Securities Risk, PPNR, Trading, and Basel III schedules.

The aforementioned statistics do not include the impact of modifications to the definitions of existing reporting items. Such modifications have also been substantial over the past three years and accordingly require significant efforts in the redevelopment of infrastructure and processes in order to incorporate the revised requirements.

We encourage the Board to reconsider the granularity of the reporting requirements and request that such data elements be restricted to only the most relevant information to support the assessment of a BHC's individual capital adequacy. Additionally, we would encourage the Board to continue to review the data schedules for relevance to the process, and where appropriate, eliminate data elements that are deemed to be outdated or no longer useful.

### **Implementation of final Basel III rules**

The proposal language indicates that the data templates are to be completed under the Basel III Notices of Proposed Rulemaking (NPRs) instead of the Basel III Final Rules [July 2013]. We request that the instructions be updated to require the completion of the FR Y-14 templates under the requirements of the Basel III Final Rules. The completion of the data templates under the Basel III Final Rules will align the calculation and reporting of capital metrics with the regulations in effect over the majority of the projection horizon and would eliminate the burden of maintaining dual calculations of capital metrics in forecasting tools.

We appreciate your consideration of our comments and suggestions on the proposed FR Y-14 information collection. 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 Mason  
Head of Capital Management & Treasury Finance  
Wells Fargo & Company