BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

APR 10 2008

Mr. John Shrewsberry
Head of Securities Investment Group
Wells Fargo & Company
550 California Street
San Francisco, California 94104

Dear Mr. Shrewsberry:

This letter concerns the notice that Wells Fargo & Company ("Wells Fargo"), San Francisco, California, filed on October 4, 2007, under section 4 of the Bank Holding Company Act ("BHC Act") to engage on a limited basis in physical commodity trading activities.[1]

Wells Fargo states in the notice that it currently engages, principally through its subsidiary, Wells Fargo Bank National Bank, also of San Francisco, in commodity derivative activities that are permissible for bank holding companies under the BHC Act ("Commodity Derivatives Activities"). These activities include trading in cash-settled swaps, forwards, options, and other derivatives based on commodities.[2] Wells Fargo has requested approval to expand its current trading activities to include engaging in physically settled commodity derivatives, taking or making delivery of commodities in settlement of those derivatives, taking inventory positions in physical commodities, and trading activities in the spot market in physical commodities ("Physical Commodity Trading").

[1] Wells Fargo would engage in the proposed activities through its wholly owned subsidiary, Wells Fargo Energy Markets, LLC, also in San Francisco.

[2] 12 CFR 225.28(b)(8)(ii).

The Board has previously determined pursuant to Regulation Y that taking and making delivery of a physical commodity complements the financial activity of engaging regularly as principal in Commodity Derivatives Activities based on that commodity.[3] The Board has delegated to the Director of the Division of Banking Supervision and Regulation ("Director"), with the concurrence of the General Counsel, the authority to approve requests by financial holding companies to engage in Physical Commodity Trading as an activity that is complementary to Commodity Derivatives Activities, if the proposal meets the conditions imposed by the Board when it has approved previous requests to engage in Physical Commodity Trading and does not raise significant legal, policy, or supervisory issues.

In evaluating the risks posed by the proposal, the Director and the General Counsel have considered that Wells Fargo already incurs the price risk of commodities through its Commodity Derivatives Activities. Permitting Wells Fargo to engage in the limited amount and types of Physical Commodity Trading activities described above, within the limits described in the appendix to this letter, would not appear to increase significantly its potential exposure to commodity price risk. To minimize potential increased risks associated with Physical Commodity Trading (including, but not limited to, storage, transportation, legal, and environmental risks), Wells Fargo has committed to the Board that it will not (i) own, operate, or invest in facilities for the extraction, transportation, storage, or distribution of commodities; or (ii) process, refine, store, or otherwise alter a physical commodity itself. Wells Fargo has further committed to the Board that it will limit the aggregate market value of physical commodities that it and any of its subsidiaries hold at any one time to 5 percent of Wells Fargo's tier 1 capital.[4] Wells Fargo also has

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[3] The Royal Bank of Scotland Group plc, 94 Federal Reserve Bulletin ___ (2008); Board letters dated August 31, 2007 (BNP Paribas), April 24, 2007, (Bank of America), March 27, 2007 (Credit Suisse Group), September 29, 2006 (Fortis S.A./N.V.), and April 13, 2006 (Wachovia Corporation); Société Générale, 92 Federal Reserve Bulletin C113 (2006); Deutsche Bank AG, 91 Federal Reserve Bulletin C54 (2005); JPMorgan Chase & Co., 91 Federal Reserve Bulletin C57 (2005); Barclays Bank PLC, 90 Federal Reserve Bulletin 511 (2004); UBS AG, 90 Federal Reserve Bulletin 215 (2004); and Citigroup Inc., 89 Federal Reserve Bulletin 508 (2003).

[4] See the appendix for a list of Wells Fargo's commitments.

established and maintained policies and systems for monitoring and controlling the risks associated with Physical Commodity Trading. Going forward, Wells Fargo is expected to continue to maintain effective risk-management policies and systems pertaining to its Physical Commodity Trading. Approval of the proposal would likely benefit Wells Fargo's customers by enhancing its ability to provide efficiently a full range of commodity-related services and improving its understanding of the commodity markets.

Based on the record, including all the commitments made to the Board in connection with the notice and the conditions imposed by the Board in previous cases, the Director, with the concurrence of the General Counsel, has determined that the proposed Physical Commodity Trading activities are complementary to the Commodities Derivatives Activities conducted by Wells Fargo; that the proposal would not appear to pose a substantial risk to Wells Fargo, depository institutions operated by Wells Fargo, or the financial system generally; and that the proposal can reasonably be expected to produce benefits to the public that outweigh any potential adverse effects.

In making these determinations, the Director and the General Counsel relied on all the information, representations, and commitments provided by Wells Fargo to the Board in connection with the notice and, in particular, the commitments set forth in the appendix and the conditions contained in the previous decisions noted above regarding these activities. These commitments and conditions are critical to the determination that Physical Commodity Trading activities would not pose a substantial risk to the safety and soundness of Wells Fargo, other financial institutions, or the financial system generally. These commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with the notice and this approval and, as such, may be enforced in proceedings under applicable law. This determination is also subject to all the conditions set forth in Regulation Y, including those in section 225.7,[5] to the conditions contained in the Board's previous decisions regarding these activities, and to the Board's authority to require modification or termination of the activities of a

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[5] 12 CFR 225.7.

bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder.

Sincerely yours,

(signed) Robert deV. Frierson

Robert deV. Frierson
Deputy Secretary of the Board

Attachment

cc: Federal Reserve Bank of San Francisco

Appendix

Commitments by Wells Fargo

1. Wells Fargo will limit the aggregate market value of physical commodities that it and any of its subsidiaries hold at any one time as a result of the Physical Commodity Trading to 5 percent of Wells Fargo's consolidated tier 1 capital. Wells Fargo will include in this 5 percent limit the market value of any physical commodities it holds as a result of a failure of reasonable efforts to avoid taking delivery in commodities transactions conducted pursuant to section 225.28(b)(8)(ii)(B) of Regulation Y. In addition, Wells Fargo agrees to notify the Federal Reserve Bank of San Francisco if the aggregate market value of commodities held by it under the approval exceeds 4 percent of Wells Fargo's tier 1 capital.

2. Wells Fargo will take and make physical delivery only of physical commodities (i) for which derivative contracts have been authorized for trading on a U.S. futures exchange by the Commodity Futures Trading Commission ("CFTC"), (ii) as to which the Board has specifically determined that all financial holding companies with Physical Commodity Trading authority may take or make physical delivery, or (iii) as to which Wells Fargo has been informed by the Federal Reserve System that it may take or make physical delivery (collectively, "Approved Commodities").

3. Wells Fargo will not process, refine, or otherwise alter a physical commodity itself. Wells Fargo will contract with a third party for any services it needs in connection with the handling of any commodity. Wells Fargo further commits that it will not contract for the exclusive right to use a facility to alter commodities for any period of time. Consistent with the Physical Commodity Trading authority, Wells Fargo will contract with third parties (i) to alter only an Approved Commodity and (ii) to alter the commodity only into another Approved Commodity.

4. Wells Fargo will not use this authority to own, invest in, or operate facilities for the extraction, transportation, storage, or distribution of commodities and will only use storage and transportation facilities owned and operated by third parties. Wells Fargo will enter into service agreements only with reputable independent third-party facilities.

5. Wells Fargo will enter into long-term electricity supply contracts only with commercial and industrial customers that consume electricity at a rate of at least (i) 800 megawatt-hours/year or (ii) the minimum consumption level for large commercial and industrial customers under applicable state law, whichever is greater.