



Richard D. Levy  
Senior Vice President & Controller

MAC A0163-039  
343 Sansome Street, 3rd Floor  
San Francisco, CA 94104  
415 222-3119  
415 975-6871 Fax  
richard.d.levy@wellsfargo.com

Letter of Comment No: 19  
File Reference: 1205-001  
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October 28, 2005

Via email

Technical Director  
File Reference No. 1205-001  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Re: File Reference No. 1205-001 – Invitation to Comment Proposed Statement of Financial Accounting Standards, *Consolidated Financial Statements, Including Accounting and Reporting of Noncontrolling Interests in Subsidiaries*, a replacement of ARB No. 51

Wells Fargo & Company (Wells Fargo) is a diversified financial services company with over \$453 billion in assets providing banking, insurance, investments, mortgage and consumer finance services. We appreciate the opportunity to comment on the issues being considered by the Board in determining whether to revise U.S. accounting standards for the accounting and reporting of noncontrolling interests in subsidiaries.

Wells Fargo supports the Board's efforts to improve financial reporting for noncontrolling interests in subsidiaries while promoting international convergence in this area. However, we strongly disagree with the Board's tentative conclusion that minority interests should be classified as a separate component of consolidated stockholders' equity in the balance sheet.

We believe that noncontrolling interests do not meet the definition of equity because they do not have an ownership interest in the consolidated equity of the company. Equity reflected in consolidated financial statements should include only equity owned by the shareholders of the parent company. Holders of noncontrolling interests are not shareholders of the company and their interests should not be classified as equity.

We are very concerned that classification of noncontrolling interests as equity in consolidated financial statements will significantly reduce the transparency and relevance of financial information provided to financial statement users. There will be significant confusion among

shareholders who have long understood and universally accepted the common sense concept that the equity of a company is represented only by their share ownership.

We are concerned with the impact that including noncontrolling interests in consolidated equity and reporting net income for the entire economic entity, including the noncontrolling interests, will have on key financial ratios for a financial services company. These ratios include regulatory capital ratios, leverage ratios and profitability ratios calculated using consolidated equity balances. Today these ratios are calculated uniformly and commonly understood by financial statement users. We do not believe that these ratios will be meaningful or useful under the proposed guidance. These ratios will either change or require adjustment of financial statement amounts prior to calculation.

We do not believe that changes in ownership interests in a subsidiary after control is obtained that do not result in a loss of control should be accounted for as equity transactions. We also do not agree that retained investments in former subsidiaries should be remeasured to fair value with any gain or loss included in income. We believe that gains or losses should only be recognized upon disposal of these retained interests.

The significant modifications to financial statement disclosures that this proposed statement would require will be very confusing for most users of financial statements. This is particularly true for the proposed requirement that, consistent with today's practice, earnings per share be calculated and disclosed from the perspective of the common shareholders of the parent, while the proposed statement would also include a seemingly contradictory requirement that the net income reported in the income statement include net income for the entire economic entity, including the noncontrolling interests.

The transition guidance in the proposed statement would require retrospective application of many of its provisions, including reclassification of noncontrolling interests as equity, adjustment of consolidated net income to include net income attributable to both the controlling interest and noncontrolling interest, charging of certain losses previously attributed to the controlling interest to the noncontrolling interest and reclassification of certain transactions related to the noncontrolling interest from income to equity. We are concerned with the significant amount of effort that will be required to obtain this information for all years where financial information is presented, particularly when there are many noncontrolling interests.

### Conclusion

Based on the foregoing, we do not support the issuance of the proposed statement. We do not agree that noncontrolling interests should be classified as equity in consolidated financial statements. We believe that many of the changes proposed by the Board will result in significantly less financial statement transparency and more complex and confusing disclosures.

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We appreciate the opportunity to comment on the issues contained in the Board's invitation. If you have any questions, please contact me at (415) 222-3119.

Sincerely,

/s/ Richard D. Levy

Richard D. Levy  
Senior Vice President & Controller

CC: Mr. Zane D. Blackburn, Office of the Comptroller of the Currency  
Ms. Donna Fisher, American Bankers Association  
Ms. Gail Haas, The Clearing House Association, L.L.C.  
Mr. Charles H. Holm, Federal Reserve Bank  
Mr. Robert F. Storch, Federal Deposit Insurance Corporation