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March 26, 2009



Via email

LETTER OF COMMENT NO.

111

Russ Golden - Technical Director Financial Accounting Standards Board File Reference Proposed FSP FAS 157-e 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Re: Invitation to Comment – FASB Staff Proposal FAS 157-e,

Determining Whether a Market Is Not Active and a Transaction Is

Not Distressed

Wells Fargo & Company is a diversified financial services company that provides banking, insurance, investments, mortgage banking, investment banking, retail banking, and consumer finance services. We appreciate the opportunity to comment on the issues being considered by the Board to provide additional guidance on determining whether a market for a financial asset is not active and a transaction is not distressed for fair value measurements under FASB Statement No. 157, Fair Value Measurements (FAS 157).

We agree with the Board that it needs to provide the additional guidance contained in Proposed FSP FAS 157-e, Determining Whether a Market Is Not Active and a Transaction Is Not Distressed (FAS 157-e). The Board recently issued FSP FAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active, to address valuing financial assets in inactive markets; however, the FSP did not provide sufficient guidance to determine when a market has gone from being active to inactive and did not provide clear guidance on the ability to move from an observable market transaction to another valuation technique utilizing both market data and management judgment. As a result, a strong bias toward quoted prices remained in practice regardless of the substance of underlying quotes. We believe the proposed FSP provides adequate guidance to allow companies to apply judgment in a logical manner in order to determine fair values as FAS 157 had originally intended, without bias toward using broker quote data that is not representative of the true fair value of a financial asset. Illiquid markets combined with the application of current accounting standards have compounded the reported decline in the fair value of financial instruments. The disconnect between fair value required under current accounting standards and the credit losses expected to be realized on the related financial instruments has created a significant disconnect, which the proposed guidance appropriately realigns for both income recognition and financial statement disclosures.

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In addition to the comments above, the following summarizes our detailed thoughts and concerns on the proposed FSP:

Ability to exercise more judgment in determining when a transaction is distressed

We recommend the Board consider revising the prescriptive guidance included in paragraph 15 of the proposed FSP to allow management to exercise judgment in determining fair value. Broker quotes or Bloomberg screens that capture distressed transactions should not be relied upon as they have become disconnected from underlying expected cash flows. The proposed FSP properly allows for the adjustment of such pricing. However, as currently drafted, the proposed FSP states, "the reporting entity must use a valuation technique other than one that uses the quoted price without significant adjustment." Generally, the proposed FSP reinforces the need to exercise prudent management judgment and consider all evidence in determining fair value. However, in this case, the FSP appears to require management to ignore certain evidence. After investigation, management may believe a quoted price deemed to be associated with a distressed transaction represents the best estimate of fair value. We would suggest the Board consider revising the sentence to read, "...the reporting entity should consider all available evidence and may use other methods of determining fair value including, but not limited to, using a valuation technique other than the one that uses the quoted price without significant judgment." The suggested change would allow management to truly exercise judgment without a mandated approach to determining fair value for distressed transactions.

We also believe the Board should provide additional guidance to clarify the discount rate to be used in the present value technique described in paragraph 15 by further defining a "reasonable risk premium" to ensure consistency in application. The proposed guidance should be "Principles Based" and not prescriptive and should provide a basis for management to determine this key discount rate. For example, it may be appropriate to consider the rate on recently originated or issued instruments with similar credit ratings and for the same remaining maturities.

Clarification of Guidance Governing the Presumption that a transaction is distressed

We agree with the FASB's approach of placing the burden of proof to require evidence that the transaction was not distressed. However, in practice, we believe preparers may have challenges in operationalizing several aspects of the proposed guidance. For example, one of the required steps is to determine if, "there was sufficient time before the measurement date to allow for usual and customary marketing activities for the asset." While we agree with the concept that a rush to offer an asset for sale is a key indicator of a distressed transaction, the guidance does not define "sufficient time" and "usual and customary marketing." Because these terms will vary for different types of assets and will likely change depending on market conditions, in practice it will be difficult to apply this piece of the proposed guidance.

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Another step requires the company to determine if "there were multiple bidders for the asset." We believe the proposed FSP is attempting to address whether or not the market is active; however, we do not believe the language included in the step will be applied in practice as intended. Situations may exist where multiple bidders have placed "low ball" offers on an asset. We believe the Board should consider changing the language in this step to the following, "there were multiple executable offers to buy the asset." Based upon our understanding of the intended purpose of the step, we believe changing the language would eliminate the problem highlighted above.

Implementation of the Proposed Guidance

We do not believe our company will incur significant additional costs in applying the requirements of the proposed FSP. The proposed FSP does not introduce new measurement methodologies that do not already exist in our current infrastructure. Additionally, we believe that the benefits of increased quality of financial reporting and transparency outweigh any additional costs we may incur in applying the proposed FSP.

Conclusion

In summary, we strongly agree with the Board's proposed FSP to provide additional guidance in determining whether a market for a financial asset is not active and a transaction is not distressed for fair value measurements under FAS 157. We believe the proposed guidance will significantly improve the consistency, quality and transparency of financial reporting. Lastly, given the proposed FSP represents a significant improvement to financial reporting, we agree with the Board that the FSP should be effective immediately (1st quarter for calendar-year companies) and not delayed the 2nd quarter of 2009.

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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 Executive Vice President & Controller

CC: Mr. James Kroeker, Securities and Exchange Commission

Ms. Donna Fisher, American Bankers Association

Ms. Gail Haas, New York Clearinghouse Corporation