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September 25, 2012

Via email

Ms. Leslie Seidman, Chairman File Reference No. 2012-200 Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, Connecticut 06856-5116

File Reference: No. 2012-200, Proposed ASU, Financial Instruments (Topic 825), Disclosures about **Liquidity and Interest Rate Risk**

Dear Ms. Seidman:

Wells Fargo & Company ("Wells Fargo") is a \$1.3 trillion diversified financial services company providing banking, insurance, trust and investments, mortgage banking, investment banking, retail banking, brokerage and consumer finance services. We appreciate the opportunity to comment on the Proposed Accounting Standards Update, Financial Instruments (Topic 825), Disclosures about Liquidity and Interest Rate Risk (the "Proposed ASU").

Executive Summary

The original objective of the Board related to this project was to provide users with decision useful information about the risks inherent in financial instruments¹. We believe the scope of the Proposed ASU has been inappropriately expanded beyond this objective. The proposed disclosures will provide users with information related to the future performance and financial viability of the reporting entity, rather than on risks associated with specific financial instruments. Accordingly, whether intended or not, the proposed disclosures may be construed as an assessment of the future financial outlook of a reporting entity. This represents a significant change in the historical understanding of the objective of financial reporting. The objective of financial reporting is to provide users with sufficient information, based on conditions and assumptions inherent in the financial statements, to assess both past and future performance (e.g., cash flows, earnings or financial position) of an entity. Financial reporting is not intended to provide users with the assumptions and expectations of management about future performance.

We are concerned that the Board has acted prematurely as it has not sufficiently assessed information that is already available in SEC filings and publicly available regulatory reports, or fully considered the

¹ Based on feedback from the May 2010 Financial Instruments Project, users indicated a preference for information about risks related to financial instruments, such as credit, liquidity and interest rate risk, rather than fair value measurement.

² The BCBS has developed Basel III, a comprehensive set of reform measures designed to strengthen regulation, supervision and

current initiatives of prudential regulators, including the Basel Committee on Banking Supervision² (BCBS) and the Enhanced Disclosure Task Force³ (EDTF) of the Financial Stability Board, to develop measurement and disclosure requirements for capital, liquidity and, to a lessor extent, interest rate risk. We are also concerned that the Board has not given due consideration to potential harmful impacts to the safety and soundness of financial institutions or the banking system that may result from the disclosure of liquidity information, proprietary information or information that is incomplete, misleading or inconsistent with risk management practices. We do not believe information about exposure to these risks is appropriate in the notes to the financial statements. Rather, it is forward looking in nature and should be disclosed in the Management's Discussion & Analysis (MD&A) section of SEC filings. We encourage the Board to more thoroughly consult with the SEC on the appropriate nature and placement of any new forward looking disclosures.

We believe current disclosure and reporting requirements along with expected enhancements by prudential regulators will be sufficient to provide users with decision useful information about exposure to these risks. We encourage the Board to defer the issuance of the Proposed ASU pending the completion of the efforts of the prudential regulators, a more thorough review of existing publically available information about these risks and consultation with the SEC on the nature and placement of new disclosures.

Conceptual Concerns with the Proposed ASU

Our conceptual concerns with the Proposed ASU are as follows:

The issuance of the Proposed ASU is premature and unnecessary. Much of the information required in the proposed disclosures is similar to information that is already available in SEC filings and various public reports filed with or complied by the banking regulators. Current SEC reporting requirements⁴ require qualitative and quantitative disclosures about liquidity and interest rate risk management, including a historical analysis of net interest margin. Current regulatory reports⁵ include detailed information related to average balances, interest rates and maturities of financial assets, liability repricing and maturity information and various liquidity ratios with comparisons to peer groups. Accordingly, existing disclosures and publically available information already satisfy the objective of the Board to provide users with a starting point to complete an independent analysis of these risks.

Currently, the BCBS is developing measurement and disclosure requirements for liquidity risk. These metrics are based on prescribed stress scenarios and dynamic business assumptions to promote comparability among banks. Specifically, two metrics are being considered, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The LCR is a short term liquidity measure intended to assess the ability of a bank to cover net cash outflows for a 30 day period. The NSFR is a longer term liquidity measure intended to measure the proportion of long term assets which are funded by long term, stable funding. It is anticipated that these measures, which are expected to be accompanied by incremental disclosure requirements, will be adopted by U.S. banking regulators and

² The BCBS has developed Basel III, a comprehensive set of reform measures designed to strengthen regulation, supervision and risk management of the banking sector.

³ The primary objectives of the EDTF are to develop principles for enhanced disclosures, based on current market conditions and risks, including ways to enhance the comparability of disclosures, and to identify leading practice risk disclosures presented in annual reports based on broad risk areas.

⁴ SEC Industry Guide 3 for bank holding companies and specific market risk disclosure rules are required under Regulations S-X and S-K, respectively.

⁵Existing reports include: Consolidated Financial Statements for Bank Holding Companies (FR Y-9C); Bank Holding Company Performance Report (BHCPR); Call Reports; Uniform Bank Performance Report (UBPR). Banking regulators also receive information about these risks that are not publically available.

incorporated into MD&A disclosures prior to the full adoption of Basel III.

Concurrently, the EDTF of the Financial Stability Board is expected to recommend incremental disclosure requirements of financial risks, including liquidity and interest rate risk in October 2012. Adoption of such disclosures will be voluntary; however, it is expected that international regulators will develop required disclosures if global financial institutions fail to voluntarily adopt the recommendations of the FSB. While the SEC, Federal Reserve and U.S. Treasury are represented on the FSB, it is unclear if the FASB has substantively participated in the EDTF process or if the anticipated EDTF recommendations were considered in the development of the Proposed ASU.

It does not appear that the Board has sufficiently assessed the information already available to users or the anticipated disclosures requirements that will be recommend by the prudential regulators. We encourage the Board to defer the issuance of the Proposed ASU and align its efforts with the SEC and prudential regulators before recommending new disclosure requirements.

- Public disclosure of liquidity information should be limited. Information about liquidity is unique because disclosure of such information may cause or accelerate a liquidity event, not only for the reporting entity, but also systemically. Because liquidity events happen quickly, management may not be able to clarify user misconceptions in time to reverse the consequences of the disclosure. This is in sharp contrast to disclosure of other financial information where user misconceptions may be explained before any adverse effects become permanent. Prudential regulators understand the sensitive and potentially harmful effects of disclosure of liquidity information and have historically limited public disclosure of this information. Currently, prudential regulators are developing standardized metrics and public disclosure requirements for liquidity risk which will likely affect all financial institutions. Given the special nature of liquidity information and the fact that prudential regulators are more qualified to make these disclosure determinations, we strongly encourage the Board to cede the responsibility to develop these disclosures to the prudential regulators.
- The proposed disclosures will not predict a potential liquidity problem. The expected maturities of financial assets and liabilities are not appropriate proxies for sources and uses of liquidity. Liquidity events typically happen quickly and do not arise under favorable market or business conditions. Accordingly, exposure to liquidity risk is dynamically measured on a short/ near term basis, under multiple stressed economic conditions. Inherent in this analysis are assumptions about potential sources of cash flow from sales of investment securities, loan origination and runoff, depositor behavior, customer draws on credit and liquidity facilities, collateral requirements and available borrowing capacity. Because the proposed disclosures do not contemplate these factors, it is unlikely the proposed disclosures will provide users with sufficient early warning. For example, it is unlikely the proposed disclosures would have timely predicted the adverse liquidity events that occurred during the most recent credit market disruption. Accordingly, the proposed disclosures will be misleading.
- The proposed disclosures are inconsistent with existing risk management practices. The proposed disclosures are based on static information and outdated analyses that vary greatly from the information and analyses used by management. While risk management techniques vary among entities, they typically incorporate dynamic scenario modeling under stressed economic conditions rather than the static or point-in-time analysis implied by the proposed disclosures. Common techniques for interest rate risk include economic value of equity, earnings-at-risk, value-at-risk (VaR) and duration gap. Risk management requires the use of forward looking assumptions, such as future economic conditions, future business activity and depositor behavior to manage liquidity and interest rate risk. Specific assumptions may include changes in interest rates and market conditions,

loan growth/renewal, changes in product mix, investment portfolio rebalancing, optionality, and deposit growth and pricing. The inconsistency between the information required by the proposed standardized disclosures under the Proposed ASU, drafted with the goal of promoting comparability, and the actual information used by financial institutions for risk management purposes may cause users to make misinformed investment or business decisions that adversely affect both the reporting entity and investors.

- The proposed disclosures present an incomplete picture of exposure to changes in interest rates. The proposed interest rate sensitivity disclosures do not reflect the change in value of non-financial assets and liabilities, such as mortgage servicing rights and related hedging instruments. Interest rate sensitive business operations, such as mortgage origination for sale, are also ignored. These items, which are captured in noninterest income, may serve as natural earnings or valuation hedges to certain financial instrument portfolios of the reporting entity. The proposed disclosures also neglect to consider growth and mix changes that occur over time and across different interest rate scenarios, as well as business and investment decisions that may be undertaken in response to changes in interest rates or changes in financial position. For example, a financial institution may invest in or sell certain securities to alter the duration of its financial assets to avoid an overly asset or liability sensitive balance sheet. These considerations are inherent in the dynamic modeling techniques used in interest rate risk management and are necessary to accurately portray the complete exposure to interest rate risk of an entity.
- Entities may alter risk management practices to manage to the proposed disclosures. Financial institutions are required to provide qualitative and quantitative disclosures about risk management of liquidity and interest rate risk in the MD&A. Also, regulatory measures and disclosures resulting from Basel III are expected to be incorporated in MD&A disclosures. While the regulatory measures and disclosures will be standardized, they will be risk adjusted and thus more consistent with risk management practices than the proposed disclosures. Because the proposed disclosures are "accounting based" and not risk adjusted, the proposed disclosures will likely be accompanied by a disclaimer that indicates the proposed disclosures are not reflective of the actual risk position of the reporting entity. At best, management will need to divert resources to reconcile the proposed disclosures to existing disclosures in order to address user questions or allay user concerns. At worst, management may make uneconomic risk management decisions in order to avoid the potential adverse consequences that may result from user misconceptions.
- Forward looking disclosures are not appropriate for the financial statements. Interest rate and liquidity risk management information is inherently forward looking and by extension, meaningful disclosures of these risks should also be forward looking. Information and analysis that is forward looking is typically disclosed in the MD&A. Consistent with this view, the Board has acknowledged that there is a difference between disclosure information included within and outside of the financial statements and has recently embarked on a new project, the Disclosure Framework Project (DFP), to develop appropriate principles to determine the nature, amount and location of financial disclosures. While we recognize that this project is in its early stages, we are disappointed that the Board is not working more closely with the SEC, but are encouraged that the Board indicated its commitment to improve disclosure effectiveness, reduce overlap and otherwise streamline financial reporting. We believe the Proposed ASU will only exacerbate the problems with the current disclosure framework. Accordingly, we encourage the Board to reevaluate the nature and location of the proposed disclosures and more closely coordinate with the SEC and prudential regulators that are developing similar disclosures to determine if improvements in MD&A disclosure requirements are necessary.

- Certain of the information included in the proposed disclosures is proprietary in nature. We do not believe it is appropriate to require disclosure of proprietary information and believe the Board should be particularly mindful of this issue when considering disclosures related to deposits. The proposed disclosures require expectations of deposit business strategies and depositor behavior, which can reveal highly proprietary information. Specifically, disclosing duration for deposits in the repricing analysis requires the use of assumptions about non-contractual attrition and deposit rate response. Revealing such information may compromise the competitive advantage of a financial institution, as competition for customers is based, in part, a combination of service and rate.
- The scope section of the Proposed ASU needs further clarification. It is unclear how to apply the scope requirements to reportable segments. For example, it is unclear whether the proposed disclosures should be made for each reporting segment, on a consolidated basis or both. In addition, it is unclear how to assess reportable segments that have some but not all of the attributes of a financial institution, such as a reportable segment that includes a retail brokerage business, but also includes an insurance businesses and takes deposits. We believe the Board intended to require segment reporting for entities that are not financial institutions, but may have one or more reportable segments that meet the definition of a financial institution. However, the Board did not sufficiently address how a reporting entity that meets the definition of a financial institution would apply the requirements to its reportable segments. The Board should remedy this lack of clarity by first requiring the application of the scope at the entity level. If the entity is a financial institution, the financial institution disclosures would be provided for the consolidated company. If the entity does not meet the definition of a financial institution, it would next assess whether it has reportable segments that meet the financial institution definition and if so, provide the required disclosures at the segment level.
- Liquidity and interest rate risk are managed using systems and information that will be difficult to audit. Risk management information includes not only expectations about future events or market conditions, but also forward looking information about potential actions or judgments taken by management in response those events and conditions. We acknowledge that some forward looking information may be used for certain audited financial statement measurements and disclosures; however, audited financial statements cannot include information that is predicated on decisions or judgments that management has not yet acted upon.
- Companies will incur significant costs to enhance risk management systems. Risk management information typically resides on systems that may not be fully reconciled to the general ledger. The time and resources required to enhance these systems to make them fully SOX-compliant will be extensive. These enhancements would not improve our risk management practices and would only be used to produce "accounting-based" disclosures. Given the fact that system modifications may be necessary to accommodate pending regulatory requirements for capital and liquidity measures and disclosures, we do not believe the costs associated with the Proposed ASU exceed its benefits, particularly given the shortcomings of the proposed disclosures.

Specific Comments on the Proposed Disclosures

If the Board decides to proceed with the issuance of the Proposed ASU, we have the following specific comments on the proposed example disclosures.

Liquidity Gap Maturity Analysis

- Expected maturities are highly judgmental and will not be comparable among reporting entities.
- Expected maturities are not equivalent to short or near term cash flow requirements.
- The concept of expected maturity is inconsistent with the actual cash flows of many financial instruments, such as amortizing debt instruments or derivative instruments, which typically occur periodically (i.e., monthly or quarterly).
- It is unclear whether financial instruments with expected principal prepayments should be
 presented in the time intervals that correspond to the timing of expected periodic cash flows or
 the expected final maturity date.
- Net presentation of qualifying derivatives would seem most useful; however, it is not clear whether derivatives should be presented on a gross or net basis.
- Table ignores off balance sheet commitments, such as lines of credit and liquidity arrangements, which can be a significant source or use of liquidity, particularly in times of market stress.

Available Liquid Funds

- Clarification is needed to define high quality liquid assets. We recommend that the Board align its definition with the definition used by the banking regulators.
- For complex financial institutions, a qualitative discussion of the effect of events or conditions
 that may limit transferability of funds should be sufficient to provide users with an understanding
 of these risks.

Deposit Issuance

Many financial institutions have deposits with customers that roll-over frequently. It is unclear
how roll-over activity should be reported under the proposal. We do not believe it is appropriate
to disclose each roll-over as a new issuance as this would overstate new issuances.

Repricing Gap Analysis

- The proposed disclosure does not appropriately consider derivatives used in economic or accounting hedging relationships of fixed rate financial instruments. These derivatives are classified based on the repricing dates while the hedged items are classified based on the contractual maturity date.
- Repricing data is not relevant for financial instruments (e.g., trading debt securities) that are measured at fair value through net income.
- Duration measures are highly subjective and may not be comparable across reporting entities.
- Duration and average yield information related to deposits is highly proprietary and may signal funding and repricing strategies to competitors. More analysis should be performed to avoid disclosure of proprietary information.

Interest Rate Sensitivity

The definition of net income should be clarified as it is unclear whether net income should include only the effect of changes in interest rates on net interest margin, changes in fair value of interest rate sensitive assets and liabilities, or an all inclusive projection of future earnings.

Conclusion

We do not support the proposed disclosures. The proposed disclosures are premature, inconsistent with risk management practices, may include sensitive and proprietary information, and are potentially misleading. We strongly recommend that the Board defer this project, more carefully evaluate existing disclosures and readily available regulatory reports, and align its efforts with the SEC and prudential regulators to determine the appropriate nature and placement of any new disclosure requirements.

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We appreciate the opportunity to comment on the Proposed ASU. 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: Paul Beswick – Securities and Exchange Commission
Kathy Murphy – Office of the Comptroller of the Currency
Stephen Merriett – Federal Reserve Board
Robert Storch – Federal Deposit Insurance Corporation
Donna Fisher – American Bankers Association
David Wagner – The Clearing House