March 9, 2007

Via email

Technical Director
File Reference No. 1510-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 1510-100 – Invitation to Comment Proposed Statement of Financial Accounting Standards, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133

Wells Fargo & Company (Wells Fargo) is a diversified financial services company with over $481 billion in assets providing banking, insurance, investments, mortgage and consumer finance services. We appreciate the opportunity to comment on the Board’s proposed Statement of Financial Accounting Standards, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133 (the Exposure Draft).

Wells Fargo supports the Board’s efforts to provide an enhanced disclosure framework for providing adequate information on the effect that derivative activities have on an entity’s overall financial position, results of operations, and cash flows, considering the increased use and complexity of derivative instruments and hedging activities. However, in summary, we do not support the Exposure Draft as currently proposed; and have significant concerns about some of the Board’s proposed changes.

• Disclosure will not fix a problematic accounting standard. Our belief, supported by the numerous restatements caused by this standard, is that FAS 133 is very problematic. We disagree with the proposal’s fundamental premise that an improvement will occur by virtue of disclosing more information about an entity’s derivate positions. The proposal does not improve the meaningfulness of financial disclosures as they will be provided without appropriate business context nor does the proposal address whether the existing FAS 133 accounting framework is relevant to all parties (financial statement preparers and users). We have significant doubts that there will be any incremental value gained versus the costs incurred to satisfy adding the proposed additional derivative information.
into financial statement disclosures. We believe that without re-visiting FAS 133 in its entirety, this proposal represents a band-aid approach to fixing derivative accounting. On a number of previous accounting matters, the Board has not supported allowing an accounting “fix” to be “just” enhanced disclosure. If the Board truly believes that derivative accounting can be fixed via enhanced disclosures, then we encourage enhancing required disclosures to provide the contextual framework as to how a reporting entity uses derivatives within its overall risk management or speculative investing strategies.

- We have concerns whether the proposed disclosure requirements can be completed accurately and timely within well-controlled accounting processes. Specifically, we have significant concerns on whether entities can disclose the information for interim financial statements in the required shortened timelines for interim financial reporting. To conform to the guidelines of interim financial reporting as set forth by the SEC, we recommend the amended disclosures and tables be limited to annual financial statement reporting with supplemental information required for interim financial statements that qualitatively update the annual financial statements.

- We recommend that the proposed effective date be delayed a minimum of one year. Final guidance may not be issued before June 30, 2007, providing only limited time between issuance of guidance and the recording of new disclosures in an entity’s annual financial statements. Due to new procedures and system enhancements that will be required for many entities, this does not provide sufficient implementation time.

Disclosures Used to Compensate for Inadequate Reporting

Additional disclosures should not be used to compensate for an accounting standard that needs to be fixed. FAS 133’s Basis for Conclusions indicates that there were problems in the existing accounting guidance for derivatives. These problems were identified as a lack of transparency, incompleteness, inconsistency, and difficulty in application. In issuing FAS 133, the Board noted that it increased the visibility, comparability, and understandability of the risks associated with derivatives by requiring that all derivatives be reported at fair value. Paragraph 243 of FAS 133 states that, “This Statement also reduces the disclosure requirements that previously were required for derivatives. Some of the previous disclosure requirements for derivatives were intended to partially compensate for inadequate reporting; improving the information provided in the basic financial statements makes possible a reduction in such disclosures.” The Exposure Draft, however, is trying to make up for a lack of transparency, inconsistency, and lack of understandability caused by a problematic accounting standard. This approach is a reversion to pre-FAS 133 accounting which makes no sense other than to appease certain users; and is inconsistent with FAS 133’s own basis for conclusions. The Board has historically maintained, as for example in paragraph B23 of FAS 123(R), that, “disclosures are not an adequate substitute
for recognition in the financial statements.” We believe the Board’s actions on this standard should be consistent with its historic principles.

In order to truly understand how an entity uses derivatives, they must be presented in the context of an entity’s overall risk profile. Without this context, the specific granular information provided by the Exposure Draft is incomplete and misleading to the financial statement reader. The amended disclosures are not designed for significant users of derivatives or users with sophisticated risk management strategies. These firms will require numerous tables which are not consistent with how they manage risk providing for further disconnect between preparers and users. While the tables may disclose how much and where gains and losses are recognized on the financial statements, they will not provide users with any additional information regarding the timing, amounts, and affects on future operations and cash flows. In order to meet the project goals, disclosures about derivatives must be provided in the context of information about the reporting entity’s overall asset/liability and market risk-management practices. We advocate a more aggregated approach inclusive of derivatives and other financial instruments, including qualitative and quantitative descriptions of specific risk exposures and how the risk exposures are mitigated. This approach links preparers with users as it truly discloses how risks are managed. It provides greater overall transparency and understanding of how derivatives and other instruments affect an entity’s financial position, results of operations, and future cash flows.

Annual Financial Statement Disclosure

We believe a duplication of the tables and quantitative disclosures does not conform to the purpose of interim financial reporting, and therefore, should be amended to provide for a qualitative update of information useful for the financial statement user. We also have concerns whether the proposed disclosure requirements can be completed accurately and timely within well-controlled accounting processes on a quarterly basis given the shortened reporting timeframe for interim financial statements. The intent of interim financial reporting is to provide a qualitative update to an entity’s most recent fiscal year-end audited annual financial statements. To conform to the guidelines of interim financial reporting as set forth by the SEC, we recommend the amended disclosures and quantitative tables be limited to annual financial statement reporting with supplemental qualitative information required for interim financial statements. This is more consistent with the designed purpose of the unaudited interim financial statements and to SEC guidelines. Per the SEC Practice manual, Form 10-Q Background and Overview, the “Form 10-Q contains updates of qualitative information presented in prior filings.” Additionally, RegS-X.T.Rule10-01 Interim Financial Statements, section (a), item (5) indicates that “The interim financial information shall include disclosures either on the face of the financial statements or in accompanying footnotes sufficient so as to make the interim information presented not misleading. Registrants may presume that users of the interim financial information have read or have access to the audited financial statements for the preceding fiscal year and that the adequacy of additional disclosure needed for a fair presentation, except in regard to material contingencies, may be determined in that context. Accordingly, footnote disclosure which would substantially duplicate the disclosures contained
in the most recent annual report to security holders or latest policies and practices, details of accounts which have not changed significantly in amount or composition since the end of the most recently complete fiscal year, and detailed disclosures prescribed by Rule 4-08 of this Regulation, may be omitted. However, disclosure shall be provided where events subsequent to the end of the most recent fiscal year have occurred which have a material impact on the registrant.” From this guidance, it is clear that the interim disclosures are intended to provide an update of information that materially impacts the entity.

**Effective Date**

We understand that many companies are not currently tracking all of the information separately as the Exposure Draft would require, and in some circumstances would not be possible to retroactively break-out the information in the timeframe proposed. Therefore, we have concerns it will not be possible for companies to meet the proposed timing and transition of the Exposure Draft. We note that companies will need sufficient time to work with their separate business lines, central reporting functions, and external and internal systems personnel to develop new processes and controls along with new system requirements needed to complete the new disclosure requirements. These new processes, internal controls, and systems will be required to be documented and tested for purposes of timely and accurate reporting and also for Sarbanes-Oxley compliance. Based on the timetable in the Exposure Draft, final guidance may not be issued before June 30, 2007. However, required disclosures of new information would be retroactive to the beginning of 2007. This does not allow sufficient time for companies to effectively review, analyze and disseminate the final guidance, and develop the controls and procedures needed, especially when the final guidance may differ from that in the Exposure Draft. We strongly encourage the Board to delay the effective date of the Exposure Draft, at a minimum, for an additional year. This timing will allow companies sufficient time to coordinate with their separate business lines, central reporting functions, and external and internal systems personnel to make the necessary changes to their procedures, controls, and systems in an orderly and controlled manner.

In addition to the above comments, we have provided certain specific recommendations related to the Exposure Draft.

**Leverage Factors**

The Exposure Draft requires the disclosure of “The estimated magnitude that leverage factors have on a derivative instrument’s notional amounts and underlying risks.” The term “leverage factors” is not commonly used and is not clear. Therefore, additional clarification must be provided for an understanding of this required disclosure and for preparers to provide meaningful comments.
Contingent Features

The Exposure Draft requires the disclosure of, "The existence and nature of contingent features and circumstances in which the features could be triggered in derivative instruments (and nonderivative instruments) that contain those features.” We recommend the Board also provide additional guidance with respect to the meaning of “contingent” feature. The current use of the term is too vague and should be further defined to provide for better understanding and consistency in reporting of contingent features.

Conclusion

Based on the foregoing, we do not support the issuance of the Exposure Draft in its present form. We believe that many of the changes proposed by the Board will result in disaggregated information surrounding the use of derivative instruments leading to less financial transparency to financial statement users. We believe an approach should be considered that more closely aligns disclosures about financial instruments within the context of an entity's overall risk management profile. Based on the timing and respective new information required, we are also concerned with the transition of the expected effective date and recommend a delay of a minimum of one year.

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We appreciate the opportunity to comment on the issues contained in the Board’s proposed statement on disclosures about derivative instruments and hedging activities. 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. 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