March 29, 2016

Via email

Russell G. Golden, Chairman
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116


Dear Mr. Golden:

Wells Fargo & Company (Wells Fargo) is a diversified financial services company with over $1.8 trillion in assets providing banking, insurance, investments, mortgage, and commercial and consumer finance services. We appreciate the opportunity to comment on the FASB’s Proposed Accounting Standards Update: Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments, a consensus of the FASB Emerging Issues Task Force (“The Proposal”).

We support the Board’s efforts resolve diversity in practice related to the presentation of certain transactions in the statement of cash flows. Nevertheless, we are concerned with the overall usefulness of the statement of cash flows for a financial institution. Like non-financial companies, we must provide a statement of cash flows and report our cash flows in the operating, investing or financing categories. However, these categories are less meaningful for financial institutions as users evaluate the performance of financial institutions based on other more relevant measures. These measures include important metrics such as net interest margin, the allowance for loan losses and various regulatory measures related to capital adequacy, leverage and liquidity. We understand the Board may adopt a new agenda project related to financial performance reporting. If the Board proceeds with that project, we encourage the Board to consider flexibility in the presentation of cash flow information as well as whether the statement of cash flows is a necessary primary financial statement for a financial institution.

Additionally, we have the following comments on the specific cash flow issues included in the Proposal.

- **Issue 2 – Settlement of Zero-Coupon Bonds.** The Proposal indicates that at the settlement of a zero-coupon bond by the issuer, the portion of the cash payment attributable to the accreted
interest should be classified as cash outflows from operating activities and the portion of the cash payment attributable to the principal should be classified as cash outflows from financing activities. The Proposal states zero-coupon bonds are a type of debt security that generally are issued or traded at significant discounts from their face amounts. However, many debt instruments, with and without a stated contractual interest rate, are issued at a discount. We are concerned with the general nature of this description as it is not clear whether the Proposal is focused only narrowly on zero-coupon bonds, all debt instruments that do not have a contractual interest rate (e.g. commercial paper and structured notes) or on all debt issued with a significant discount. In addition, it is unclear how preparers are to evaluate whether a discount is significant. We recommend that the Board clarify which debt instruments are covered by the Proposal and provide guidance on how preparers are to evaluate the significance of a discount. Lastly, we encourage the Board to clarify whether debt instruments issued with a premium should be treated similarly.

- Issue 8 - Separately Identifiable Cash Flows and Application of the Predominance Principle. The proposed guidance clarifies when an entity should separate cash receipts and cash payments and classify them into more than one class of cash flows and when an entity should classify the aggregate of those cash receipts and payments into one class of cash flows on the basis of predominance. This guidance applies in situations where the most appropriate classification of cash flows is unclear. Due to the retrospective transition required by the Proposal, we are concerned that it will be necessary to re-evaluate historical transactions and potentially restate prior period cash flow statements based on this new principle of predominance. As the cost of such an exercise would significantly outweigh any perceived benefits to users, we recommend an amendment to the Proposal to permit prospective application for this issue.

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We appreciate the opportunity to comment on the Proposal and are willing to work with the FASB as you proceed with further deliberations on the topic. If you have any questions, please contact me at 415-222-3119 or Mario Mastrantoni at 704-383-9678.

Sincerely,

/s/ Richard D. Levy

Richard D. Levy
Executive Vice President & Controller