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October 10, 2014

Secretariat of the Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel, Switzerland

Mr. Michael Schoch
The BCBS Working Group on Disclosure Chair
Member of the Executive Board
Head of Banks division
Swiss Financial Market Supervisory Authority

Re: Basel Committee on Banking Supervision Consultative Document: Review of Pillar 3 disclosure requirements

Dear Sirs:

Wells Fargo & Company (Wells Fargo) is a diversified financial services company with over \$1.6 trillion in assets providing banking, insurance, trust and investments, mortgage banking, investment banking, retail banking, brokerage services and consumer and commercial financial services. We appreciate the opportunity to comment on the Basel Committee on Banking Supervision (BCBS) Consultative Document: Review of Pillar 3 disclosure requirements (the "Proposal"). Broadly, we are concerned that due process may suffer as a result of the proposed timeline for finalization and proposed effective date coupled with the volume of technical issues identified in the Proposal. Wells Fargo has not included comments on all of the technical issues identified throughout the 35 proposed templates. Rather, we have worked to identify these issues through industry trade groups, specifically the American Bankers Association (ABA), Institute of International Finance (IIF), International Swaps and Derivatives Association (ISDA) and Association for Financial Markets in Europe (AFME). In this letter, we are providing comments on our overarching concerns with the Proposal.

Executive Summary

We believe it is necessary for the BCBS to invest additional time with stakeholders to fully address all of the technical and conceptual issues raised in the comment letter process. In particular, a harmonization effort is still required to avoid redundancy and inconsistency with other existing disclosures. In addition, we strongly encourage the BCBS to coordinate its efforts with disclosure initiatives underway through other accounting standard setting and regulatory bodies, as well as the Enhanced Disclosure Task Force (EDTF).

Our overarching concerns with the Proposal are as follows:

- The proposed effective date is problematic;
- The volume and disaggregation required by the Proposal is excessive and not appropriately balanced by a materiality principle;

- There is too much emphasis on creating a stand-alone Pillar 3 report;
- Greater use of the flexible template format is needed; and
- The purpose, scope and measurement of items within each template should be clarified.

Overarching Comments on the Proposal

A more comprehensive description of our concerns and our recommended improvements to the Proposal are included below.

- The proposed effective date is problematic. The proposed effective date of April 1, 2016 will not allow for the required lead time for banks to make internal technology and infrastructure changes necessary to implement the Proposal in a controlled manner, irrespective of technical improvements made through the comment letter process. Only a limited number of U.S. institutions have implemented the existing Pillar 3 requirements and many, including Wells Fargo, will not implement the existing disclosures until 2015. An effective date of April 1, 2016 would leave less than a year for implementation of the Proposal, which is inadequate given the significance of this proposed expansion. Not only does the BCBS need to finalize the Proposal, but the U.S. banking regulators will likely issue a separate standard, with the necessary due process of its own. As a result, it is unlikely that a final set of disclosure requirements would be finalized in the U.S. until mid-to late 2015, which would leave U.S. banks with very little time for implementation.

In addition, there are various provisions within the Proposal which will require significant systems modifications that warrant additional implementation time. Adequate lead time must be provided for system changes to be designed, implemented and tested in order to meet the required level of assurance. Examples in the Proposal that will require system modifications include the linkages templates (LI-1 and LI-2), which are inherently complex, as well as the analyses of changes in risk weighted assets (CR11, CCR7 and MR3). To further illustrate these concerns, in order to properly isolate individual drivers of changes to risk weighted assets, instrument level data, which is housed on numerous and disparate systems, must be used to calculate exposures with combinations of single variable factors while holding other factors constant. Moreover, the identification and isolation of individual variables requires judgment and ignores dependencies between variables. Both the technological and work-flow efforts required to be put in place in order to satisfy these proposed requirements is significant.

We respectfully request that the final Proposal have an effective date of at least two years after issuance. Because many of the qualitative disclosures are only required annually, we also recommend a fiscal year end effective date.

- The volume and disaggregation required by the Proposal is excessive and not appropriately balanced by a materiality principle. The volume and detail of the proposed disclosures may undermine their usefulness. We encourage the BCBS to place greater emphasis on the concepts of relevance and materiality. Because immaterial information likely lacks relevance, we encourage the Board to allow preparers to consider materiality when making disclosure decisions, including determining the level of disaggregation required within the templates. For example, the linkage table (LI-1) requires disaggregation at the same level as the financial statements. While we agree with the objective of this template, which is to provide users with a greater understanding of the relationship between accounting and regulatory information, we believe a reasonable bridge can be provided through a mix of qualitative and quantitative disclosure information. The inherent complexity in completing a full reconciliation (e.g., different basis of consolidation, different definitions, different views of on- and off-balance-sheet positions, etc.), coupled with the required level of disaggregation will be extremely

costly without providing a substantial increase in a user's understanding of the risks inherent in a bank's balance sheet.

Similarly, the protected exposures and coverage ratio template (CR4), which disaggregates exposures between those that are over/ under collateralized and then further by the degree of collateralization, requires significant disaggregation and likely will be confusing to users. The template requires disclosure of the liquidation value of collateral, benefits of guarantees or other credit risk mitigation techniques. However, credit risk mitigation techniques and required levels of collateralization often vary based on the nature of the product and credit quality of the borrower. As much of the information is already provided in certain credit quality and other disclosures required under U.S. GAAP, we encourage the BCBS to permit reporting entities to balance the information provided in this disclosure template with information that is already disclosed in the financial statements.

- There is too much emphasis on creating a stand-alone Pillar 3 report. The Proposal has a bias toward requiring all disclosures in a stand-alone Pillar 3 report. This requirement is in contrast to the existing Pillar 3 requirements, which permit the flexibility to leverage disclosures in other publicly available disclosures as long as the Pillar 3 disclosure report is accompanied by a disclosure index. Currently, many institutions that prepare Pillar 3 reports leverage existing disclosures provided in management's discussion and analysis, the notes to the financial statements or other publicly available disclosures rather than duplicating disclosure information in a stand-alone report. Leveraging existing financial disclosures through the use of a disclosure index eliminates the duplication of disclosures, reduces unnecessary costs and promotes consistency of disclosure information within the reporting entity.
- Greater use of a flexible template format is needed. The required use of fixed formats may provide the perception of comparability among institutions, but may not be equally relevant, prepared consistently or consistent with an institution's risk management practices or business model. Moreover, the required qualitative disclosures that must accompany the fixed format disclosures obviate the need for fixed formats. Accordingly, the use of fixed templates should be limited to templates which use clearly defined terms, provide limited disaggregation and are not redundant or similar to other publicly available accounting or regulatory reporting disclosures. To promote consistency for any remaining fixed format disclosures, the templates must be accompanied by instructions similar to the instructions provided for the schedules provided in U.S. bank call reports which include detailed instructions for each row and column.

Disclosures should also be flexible enough to address jurisdictional differences. For example, U.S. regulators are prohibited from referencing or placing reliance on external credit ratings within their regulations via the Dodd-Frank Act and although the disclosure of exposures by external rating (CR5 and CR6) acknowledges jurisdictional differences, we do not believe it would be appropriate for U.S. Banks to provide this disclosure. In lieu of external ratings, the use of internal ratings may not be an acceptable solution as internal grading scales and criteria are not consistent across organizations. Accordingly, we encourage the BCBS to exempt U.S. banks from providing these disclosures.

- The purpose, scope and measurement of items within each template should be clarified. Many of the technical comments already provided by industry groups center around purpose, scope and measurement. The industry group letters cite many specific examples of user questions with respect to purpose, scope and measurement and we encourage the BCBS to carefully consider these comments. Enhancements with respect to these areas are needed to ensure the templates are prepared properly, understood by users and the interrelationships across templates are clear. To supplement the comments provided by the industry groups, we offer the following suggestions:

- The purpose statement should be reconsidered when reviewing comments received on each of the templates. The purpose statement is of particular importance for flexible templates because the purpose will influence how banks determine whether modifications to the template are consistent with both the bank's business strategy and fulfills the disclosure objective.
- Each template should include a scope statement which should address differences between accounting and Basel classifications of financial instruments, on/ off balance sheet accounting differences and similar items. The scope and purpose statements should be complimentary, with the scope statement providing additional clarity as to the purpose of the template. The additional clarity should result in more consistent and comparable disclosure.
- The required measurement attribute for each type of instrument or exposure within each template needs to be more clearly defined as the Basel exposure amount may not be the same as the accounting based measurement. For example, the exposure at default (EAD) for derivatives includes the sum of the balance sheet carrying value as of the reporting date and an amount related to the potential future exposure. Each template must clearly define whether the composition of an exposure is based on the definition of exposure amount in the final rule or only the balance sheet carrying value as of the reporting date.

Conclusion

We encourage the BCBS to consider our comments and recommendations described in this letter as well as those provided by the industry groups mentioned and urge the BCBS to complete the commensurate level of due process and provide a reasonable implementation timeline as is necessary for disclosures of this volume and complexity. We believe that our recommendations are consistent with the project goals, to achieve greater comparability and consistency among financial institutions and provide more meaningful information to financial statement users.

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We appreciate the opportunity to comment on the issues contained the Proposal. 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:

Rusty Thompson – Office of the Comptroller of the Currency
Stephen Merriett – Federal Reserve Board
Robert Storch – Federal Deposit Insurance Corporation