



Richard D. Levy
Executive Vice President & Controller

MAC A0163-039
343 Sansome Street, 3rd Floor
San Francisco, CA 94104
415 222-3119
415 975-6871 Fax
richard.d.levy@wellsfargo.com

September 7, 2010

Via email

Russell G. Golden, Technical Director
File Reference No. 1830-100
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Re: File Reference No. 1830-100, *Fair Value Measurement and Disclosures (Topic 820) - Amendments for Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*

Dear Mr. Golden:

Wells Fargo & Company (Wells Fargo) is a \$1.2 trillion diversified financial services company providing banking, insurance, trust and investments, mortgage banking, investment banking, retail banking, brokerage and consumer finance. We appreciate the opportunity to comment on the Proposed Accounting Standards Update, *Amendments for Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS* (the "Proposed ASU").

Executive Summary

We support the efforts of the FASB and IASB to converge fair value measurements and disclosures. However, we do not support certain aspects of the Proposed ASU. We disagree with the proposed elimination of the in-use valuation premise for financial assets. This does not reflect a market participant's view of fair value, nor does it reflect how such assets are originated and packaged for sale. In addition, we believe the proposed measurement uncertainty disclosures are not operational, redundant and potentially misleading to financial statement users. Moreover, the proposed disclosures will compound rather than reduce the issue of "disclosure overload" that the FASB is attempting to address in its Disclosure Framework Project.

Our specific comments related to the Proposed ASU are expressed below.

Fair Measurement of Financial Assets

We do not support the elimination of the in-use valuation premise for financial assets for the following reasons:

Russell G. Golden
September 7, 2010
Page 2

- The proposed guidance does not reflect a market participant's view of fair value: The proposed elimination of the in-use valuation premise will require the measurement of fair value for financial assets at the instrument level. The FASB reasoned that the in-use valuation premise is not relevant to financial assets because such assets do not have an alternative use and their fair values do not depend on their use within a group of other assets and liabilities. However, fair value measurements must still use the assumptions that market participants would use when pricing financial assets. This creates a fatal inconsistency in the proposed guidance for smaller-balance, homogenous pools of financial assets. For example, consumer loans are rarely sold individually. Rather, such loans are aggregated and sold as homogenous pools in the securitization or whole loan market. While the composition of the pool may be determined through an assessment of individual instruments, the price paid is determined based on a market participant's expected performance of the pool rather than any individual instrument within the pool. Consequently, the proposed guidance will result in a valuation approach that will not yield the exit price that would be realized upon sale in the principal market.
- Fair value measurement at the instrument level is not operational: Financial institutions have a considerable number of smaller-balance, homogenous loans. For example, Wells Fargo has millions of individual consumer loans. Accordingly, requiring fair value measurement at the instrument level is simply not practicable. The FASB has previously acknowledged that the determination of credit impairment at the instrument level has similar operational challenges. Both current US GAAP¹ and the newly proposed guidance for financial instruments² ("the Financial Instruments ED") provide for the use of homogenous pools as a practical expedient in the determination of credit impairment. Accordingly, we respectfully request the FASB to permit the measurement of fair value for loans with common characteristics at the portfolio level. Such an approach will significantly simplify the measurement of fair value, provide substantially similar results, and remain faithful to the measurement principles of Topic 820.

Measurement Uncertainty Disclosures for "Level 3" Fair Value Measurements

We do not support the proposed measurement uncertainty disclosures for the following reasons:

- The proposed correlation disclosures will only create more uncertainty: We are concerned with the proposed requirement to consider the effect of correlation among unobservable inputs inherent in the quantitative measurement uncertainty disclosures. Given the judgment inherent in the determination of these fair value measurements, this proposed requirement will introduce even more subjectivity into the financial statements, which will further reduce comparability in financial reporting. The use of informative qualitative disclosure will better address the various factors that drive correlation and their potential impact on fair value measurements.
- The proposed disclosures do not reflect actual risk management practices: Risk management practices for financial instruments do not contemplate "leveling assignments" within the fair value hierarchy. The sensitivity analysis for "Level 3" instruments ignores offsetting impacts from other financial instruments and is therefore potentially misleading. For example, changes in the value of our mortgage servicing rights asset are economically hedged or offset by a combination of derivatives, securities, loans and servicing income, many of which are not "Level 3". Additionally, although we disagree with certain aspects of the recently proposed guidance in the Financial Instruments ED³, the guidance in Proposed ASU is not consistent with the proposed guidance in the Financial Instruments ED which attempts to give prominence to an entity's business strategy in determining the appropriate financial reporting for financial instruments.

¹ FASB ASC Subtopics 310-10 (formerly FAS 5, FAS 114) and 310-30 (formerly SOP 03-3)

² FASB Proposed Accounting Standard Update, *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities*

³ Our comment letter on the Financial Instruments ED was submitted to the FASB on August 19, 2010.

Russell G. Golden
September 7, 2010
Page 3

- The proposed disclosures are not useful and premature: Sufficient disclosure is already provided regarding the measurement uncertainty of “Level 3” financial instruments. Current disclosure requirements already require ample quantitative and qualitative disclosure of valuation techniques, significant inputs and a roll-forward analysis. We provided 16 pages of fair value measurement disclosures in our second quarter 2010 Form 10-Q; our annual disclosures typically require even more. In addition, the proposed disclosures will be less useful due to the level of aggregation that will be necessitated for presentation. More disclosure is not always better, as overly detailed disclosures inject uncertainty, reduce transparency and ultimately are not decision useful. Instead of perpetuating “disclosure overload”, we encourage the FASB to delay the issuance of the Proposed ASU and assess the broader disclosure framework for financial instruments in connection with its Disclosure Framework Project. The FASB added this project to its agenda in July 2009 to establish a comprehensive and cohesive disclosure framework in order to make financial statement disclosures more effective, coordinated, and less redundant. The disclosure framework for financial instruments should place emphasis on an entity’s business strategy and risk management practices.
- The proposed disclosures may not be operational: It may not be possible to provide the proposed disclosures for vendor or broker priced items. Prices for many “Level 3” instruments are provided by third party vendors or brokers. Typically, a single price is received from each provider; this price is not always determined using a discounted cash flow model with discernable inputs. Therefore, to comply with the proposed disclosure requirements, external pricing sources will need to provide alternative measurements resulting from changing unobservable inputs.

Even if third party providers could provide the proposed alternative fair value measurements, pricing providers typically use different valuation techniques and understandably could have different views as to what represents a reasonable alternative unobservable input, or even which inputs are unobservable. Accordingly, these determinations may be inconsistent among providers for similar instruments. We are concerned this will adversely affect comparability of “Level 3” measurements within an enterprise as well as among preparers, further contributing to the overall uncertainty associated with these disclosures.

- Additional implementation guidance is necessary: Measurement uncertainty disclosures are required when one or more unobservable inputs “could have been reasonably used” in the fair value measurements. However, the Proposed ASU does not provide a definition or interpretive guidance regarding the assessment of whether alternative unobservable inputs “could have been reasonably used. Without additional guidance, this assessment will be extremely difficult and will likely result in a lack of comparability among preparers due to likely disparate views regarding application and interpretation of this requirement. If the guidance is issued as proposed, further implementation guidance will be necessary to aid this assessment.
- Disclosing a range of alternative fair value measurements will undermine management judgment: Disclosure of alternative fair value measurements will deemphasize recorded amounts because it wrongly suggests the range of values in such disclosure is an acceptable substitute for management’s best estimate of fair value. Management’s best estimate of fair value is subject to internal pricing verification and control procedures and independent audit testing by both internal and external auditors. The generation and disclosure of an ambiguous range of alternative fair value measurements, which does not represent the single best estimate of an exit price, will compromise the integrity and comparability of reported results, and mislead investors. Reducing investor confidence in management’s judgment will not strengthen the transparency related to the risks associated with fair value measurements or the reliability of such measurements.

- The disclosure objective can be accomplished by qualitatively enhancing existing disclosures: To address the issues of operability and relevance noted above, we encourage the Board to consider whether concerns regarding transparency of “Level 3” fair value measurements can be better addressed through meaningful qualitative disclosure of valuation inputs, valuation methodologies, valuation practices and validation procedures. Meaningful qualitative disclosures will enhance user understanding more so than creating a range of alternative measurements that will very likely be misconstrued and most likely function to distort the an entity’s financial position.

Other Comments on the Proposed ASU

We have the following additional concerns with the Proposed ASU:

- Reporting “disclosure-only” fair value measurements within the fair value hierarchy is not necessary: Existing disclosures of fair value measurements within the fair value hierarchy are intended to provide meaningful information to users about the relative subjectivity of such measurements recorded in the principal financial statements. The Proposed ASU extends this requirement to fair value measurements that are only provided through supplemental disclosure, such as loans held for investment. Reporting “disclosure-only” fair value measurements within the fair value hierarchy is not necessary because fair value is not the primary measurement attribute for these instruments and therefore does not impact amounts recorded to the financial statements. In the Basis for Conclusions of FAS 157⁴, we believe the FASB implicitly supported this rationale as the FASB specifically considered and ultimately decided not to require the application of the fair value hierarchy disclosure requirements to “disclosure-only” fair value measurements. The FASB recognized that users place more weight on fair value measurements recorded in the financial statements.
- The significance threshold for transfers within the fair value hierarchy should be retained: Without providing any justification, the proposed guidance eliminates the significance threshold for transfers within the fair value hierarchy recently established in ASU 2010-06⁵. Companies have modified their processes to capture significant transfers and comply with these recently effective disclosure requirements. We do not agree with the removal of the significance threshold because the disclosure of insignificant transfers will not alleviate users concerns regarding reliability and transparency associated with fair value measurements. In addition, we do not believe the FASB has provided sufficient justification that the benefit of revising its recently effective disclosure guidance outweighs the additional costs associated with the proposed revisions, especially during a time period when we are being overburdened with the review and implementation of a plethora of new accounting standards.
- The implementation costs do not justify the perceived benefits: Many fair value measurements and related disclosures already require manually-intensive calculations using spreadsheets or other financial tools. The proposed alternative fair value measurements and related disclosures will only increase the use of such financial tools to store, monitor and calculate data, particularly when considered in connection with the newly proposed guidance for financial instruments. The migration of fair value accounting to legacy or new accounting systems will require significant cost, time and resources. Given the questionable value of the proposed measurement guidance and related disclosures, we do not believe it would be prudent to incur these migration costs or operate in a weakened control environment that will render preparers susceptible to financial statement errors.

⁴ Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*

⁵ FASB Accounting Standards Update No. 2010-6, *Improving Disclosures about Fair Value Measurements*

Russell G. Golden
September 7, 2010
Page 5

- The effective date of the Proposed ASU should coincide with the effective date of the newly proposed Financial Instruments ED: Given the FASB's recently proposed expansion of fair value as the primary measurement attribute for financial instruments, many of which represent "Level 3" measurements, we encourage the FASB to ensure the effective dates of the Proposed ASU and Financial Instruments ED coincide. If the guidance is issued as proposed, in order to allow for sufficient implementation time, it is critical that the scope of the financial instruments subject to the proposed guidance be established well in advance of the effective date rather than staggered between the effective dates of two interdependent accounting standards. For example, this linkage will ensure specific exemptions from the measurement uncertainty analysis for unquoted equity instruments provided in the Financial Instruments ED are adopted in the most coordinated and efficient manner possible.

Conclusion

We applaud the FASB and IASB for issuing fair value measurement and disclosure guidance that is largely converged. However, we are concerned with the continued expansion of already complex, detailed and lengthy fair value measurements and disclosures that contribute to "disclosure overload" without the context of a broader disclosure framework for financial instruments. More specifically, we encourage the FASB to retain the in-use valuation premise, eliminate the proposed measurement uncertainty disclosures for "Level 3" financial instruments and revise the Proposed ASU to address the other issues identified herein.

We appreciate the opportunity to comment on the issues contained in the FASB'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: Financial Accounting Standards Board Members
International Accounting Standards Board Members
Kathy Murphy – Office of the Comptroller of the Currency
Art Lindo – Federal Reserve Board
Robert Storch – Federal Deposit Insurance Corporation
Donna Fisher – American Bankers Association
Gail Haas – New York Clearing House Association