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January 16, 2014

Via email

Mr. Russ Golden
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Re: File Reference No. EITF-13G, Derivatives and Hedging (Topic 815) – *Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity*

Dear Mr. Golden:

Wells Fargo & Company (Wells Fargo) is a \$1.5 trillion diversified financial services company providing banking, insurance, investments, mortgage, and consumer and commercial finance services. We appreciate the opportunity to comment on the FASB's Proposed Accounting Standards Update, Derivatives and Hedging (Topic 815) - *Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity* ("the proposed guidance") as we are engaged in business activities that involve hybrid financial instruments contemplated by the proposed guidance.

We support the proposed guidance for determining whether the host contract within a hybrid financial instrument issued in the form of a share is akin to debt or equity. We believe all features of the hybrid instrument, including any embedded derivatives, should be considered when evaluating the nature of the host contract. Some of these features may include redemption options, participation rights, voting rights, and conversion rights, amongst others. This clarification is consistent with the methodology preferred by the SEC¹ and thus is the methodology most commonly applied by preparers. While the SEC does acknowledge an alternative approach where the terms of individual embedded derivatives under evaluation are excluded from the assessment of the host contract, we believe the alternative approach may result in inconsistent conclusions across financial instruments with similar economic characteristics. Therefore, we believe all embedded features of a hybrid instrument issued in the form of a share should be evaluated when determining the nature of the host contract.

When performing the assessment, we believe a significant amount of weight should be placed on substantive features, such as a fixed price, non-contingent redemption option. However, the economic characteristics and risks of the entire hybrid financial instrument must also be considered as there are often many substantive features within a hybrid financial instrument that when assessed collectively may result in a different conclusion than if a

¹ SEC Staff Announcement codified in ASC 815-10-S99 (formerly, EITF Topic D-109: *Determining the Nature of a Host Contract Related to a Hybrid Financial Instrument Issued in the Form of a Share under FASB Statement No. 133*)

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particular feature were assessed individually. Accordingly, we agree with the Board that no one feature of a hybrid financial instrument issued in the form of a share should be determinative in the assessment of the host contract.

We are not aware of diversity in practice or other practice issues related to assessment of the host contract for hybrid financial instruments that are not issued in the form of a share. To avoid the risk of unintended consequences or potentially counterintuitive results, we do not believe the Board should expand the scope of the proposed guidance to other forms of hybrid financial instruments.

We agree with the proposed transition guidance allowing a modified retrospective approach with an option for full retrospective adoption as a full retrospective method would entail considerably more cost and effort without measurable benefit to users. We believe an implementation period of one year from issuance of the final standard would be adequate.

We appreciate the opportunity to comment on the issues contained in the Boards' 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