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December 7, 2020

Via email

Hillary H. Salo
FASB Technical Director
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Re: File Reference No. 2020-700: Proposed Accounting Standards Update, *Leases (Topic 842): Targeted Improvements*

Dear Ms. Salo:

Wells Fargo & Company ("Wells Fargo") is a diversified, community-based financial services company with over $1.9 trillion in assets providing banking, investment and mortgage products and services, as well as consumer and commercial finance. As a lessor, we have equipment leases with commercial customers, generally through direct financing and operating leases ($16.9 billion and $7.6 billion, respectively). As a lessee, substantially all of our leases are operating leases ($4.4 billion). We appreciate the opportunity to comment on the FASB's Proposed Accounting Standards Update: *Leases (Topic 842): Targeted Improvements* ("the Proposal").

Issue 1 – Sales-Type Leases with Variable Lease Payments – Lessor Only
We agree with the Proposal requiring lessors to classify and account for a lease with lease payments that are predominantly variable and do not depend on a reference index or a rate as an operating lease. We believe that this Proposal would better reflect the true economics of these leases at commencement and over the lease term by removing the potential for day one losses on sales-type leases.

Issue 2 – Option to Remeasure Lease Liability – Lessee Only
We agree with the Proposal that provides lessees with the option to remeasure lease liabilities for changes in a reference index or a rate. We agree that remeasuring the lease liability as a result of a change in a reference index or a rate provides the most accurate information about a lessee's future cash obligations. This Proposal would better align International Financial Reporting Standards (IFRS) 16, *Leases*, with US GAAP, and simplify accounting for consolidated entities that are required to comply with both US GAAP and IFRS for separate stand-alone legal entity reporting.

We have the following comment on a specific matter included in this Issue.

The Proposal provides lessees with the option to make an entity-wide accounting policy election to remeasure lease liabilities for changes in a reference index or a rate affecting future lease payments at the date that those changes take effect. We ask that the Board provide flexibility in the scope of applying the accounting policy election (e.g. by line of business, major lease portfolio, etc.), as opposed to an entity-wide election only. This additional flexibility would provide an entity the ability to select the accounting treatment that is most cost effective for its circumstances, such as businesses where the operational and technological benefits outweigh the costs of conversion and stand-alone legal entities that are required to dual report under IFRS and US GAAP. In addition, to provide transparency to users of financial statements, we support expanding the lease disclosures to note where the policy election was made if not otherwise entity-wide.

Issue 3 – Modifications Reducing the Scope of a Lease Contract

We agree with the Proposal that exempts entities from applying modification accounting to economically unaffected lease components within a lease contract when there is an early termination of one or more lease components. For example, when one asset in a master lease agreement is terminated, a lessor or lessee should not be required to apply modification accounting for the remaining assets in the master lease agreement when the remaining asset leases are economically unaffected. The current standard is operationally burdensome and often results in unjustified cost and complexity in determining inputs for classification and measurement purposes. Additionally, the current standard can result in changes in classification that do not represent the economics of the lease arrangement.

In addition, we strongly recommend the exclusion of termination penalties from the total remaining lease payments for the remaining lease components when determining whether the total remaining lease payments subsequent to the termination are substantially the same as the total remaining lease payments prior to the termination. Termination payments are economically similar to a negotiated payment to purchase the underlying asset or payment for a casualty loss, both of which are excluded when determining total payments for the remaining lease components.

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Wells Fargo appreciates 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 980-297-6079.

Sincerely,

/s/ Mario Mastrantoni

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Enterprise Accounting Policy and SEC Reporting Leader