Neal Blinde
Executive Vice President and
Treasurer
301 S College St, 40th Floor
Charlotte, NC 28202

September 25, 2017

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
Attn: Docket ID OCC-2017-0012
400 7th Street SW, Suite 3E-218, Mail Stop 9W-11
Washington, D.C. 20219

Ann E. Misback
Secretary
Attn: Docket No. R-1571 and RIN 7100 AE 83
Board of Governors of the Federal Reserve System
20th Street & Constitution Avenue, N.W.
Washington, D.C. 20551

Robert E. Feldman
Executive Secretary
Attn: Comments/Legal ESS, RIN 3064-AE 63
Federal Deposit Insurance Corporation
550 17th Street, N.W. Washington, D.C. 20429

Re: Regulatory Capital Rules: Retention of Certain Existing Transition Provisions for Banking Organizations That Are Not Subject to the Advanced Approaches Capital Rules; OCC Docket ID OCC-2017-0012, Federal Reserve Docket No. R-1571 and RIN 7100 AE 83, and FDIC RIN 3064-AE 63

Ladies and Gentlemen,

Wells Fargo & Company (Wells Fargo) is a diversified financial services company with over $1.9 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 Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Board), and the Federal Deposit Insurance Corporation (FDIC) (collectively, the Agencies) notice of proposed rulemaking: *Regulatory Capital Rules: Retention of Certain Existing Transition Provisions for Banking Organizations That Are Not Subject to the Advanced Approaches Capital Rules* (the Proposal).

We support the Agencies objective to strengthen the resiliency of banking organizations and echo their concern regarding regulatory burden, complexity, and costs associated with particular aspects of the regulatory capital rules.

The Proposal would result in bifurcation of the current Standardized Approach that applies to all banks regardless of size into two separate Standardized Approaches that would apply to banking organizations

based on their total consolidated asset size.[1] Specifically, the Proposal would introduce differences with respect to the capital deduction treatment and risk weighting for the exposures subject to the Proposal, which are Mortgage servicing assets (MSAs), Temporary difference deferred tax assets (DTAs), Significant investments in the capital of unconsolidated financial institutions in the form of common stock, Non-significant investments in the capital of unconsolidated financial institutions, and Significant investments in the capital of unconsolidated financial institutions that are not in the form of common stock, resulting in a different numerators and denominators in the Standardized Approach capital ratios.

Details Regarding Our Primary Concerns with the Proposed Guidance

- We believe the Proposal would increase complexity and reduce comparability of the regulatory capital framework by introducing a second Standardized Approach: Although the Proposal's stated purpose is to reduce burden and complexity, we believe the increase in complexity and decrease in comparability generated through the addition of a second Standardized Approach outweighs the benefits of providing simplification to a subset of banks. Market participants must have confidence in the regulatory capital framework, relying on its consistency and comparability. Because the Proposal applies different Standardized Approaches based on asset size, there would no longer be a measurement of capital that is directly comparable across all banks. Beyond our concerns about comparability, we do not believe the risk profiles of the exposures subject to the Proposal are dependent on the total consolidated asset size of the bank that holds them and that the treatment of these exposures should therefore be consistent regardless of total consolidated asset size. The current framework for deduction and risk weighting of these exposures already contemplates the significance of the exposure relative to the bank's size as the deduction threshold is based upon the bank's level of common equity tier 1 capital (which is inherently based upon the bank's size). Banks that are larger in size also tend to have more diversified business models, which can serve to reduce the risk associated with holding these exposures by providing natural offsets, which is contrary to the stated justification for retaining the current treatment for Advanced Approaches banks[2]. Absent strong and clear differences in the risk profiles of these exposures when they are held by banks with higher amounts of total consolidated assets, we do not believe there is justification for creating an additional approach for these exposures within the regulatory capital framework.

- We believe the Proposal potentially conflicts with the Collins Amendment: Section 171 of the Dodd-Frank Wall Street Reform and Consumer Protection Act[3] (Dodd-Frank Act) defines the term "generally applicable risk-based capital requirements," as those that apply without regard to "total consolidated asset size."[4] The section goes on to specify that, "the generally applicable

---

[1] Advanced Approaches banks are defined in §_.100 of the capital rules as those with total consolidated assets of $250 billion or more or those with consolidated total on-balance sheet foreign exposure of $10 billion or more.

[2] "The agencies believe the stringency and complexity of the current capital rules' treatment for items affected by the transitions NPR remains appropriate for banking organizations that are subject to the advanced approaches…given the business models and risk profiles of such banking organizations."

[3] H.R. 4173, Sec. 171. Leverage and risk-based capital requirements.

[4] The specific definition is: "(A) the risk-based capital requirements, as established by the appropriate Federal banking agencies to apply to insured depository institutions under the prompt corrective action regulations implementing section 38 of the Federal Deposit Insurance Act, regardless of total consolidated asset size or foreign financial exposure; and

risk-based capital requirements . . . shall serve as a floor for any capital requirements that the agency may require."

If the regulatory capital framework is amended as Proposed, we seek clarity on which Standardized Approach would be the "generally applicable risk-based capital requirement" that forms the basis of the capital floor. If the Agencies do not wish to treat the exposures subject to the Proposal consistently across organizations regardless of total consolidated asset size, Section 171 of the Dodd-Frank Act seems to suggest that one approach within the capital framework (i.e. the "generally applicable risk-based capital requirement") must treat these exposures consistently across organizations regardless of total consolidated asset size. Therefore, we request that the changes proposed apply to all organizations in one, single uniform Standardized Approach.

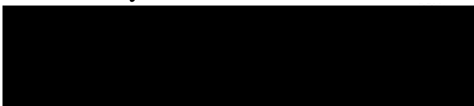
Conclusion

We encourage the Agencies to consider our comments and recommendations described in this letter. The Proposal would result in bifurcation of the existing Standardized Approach into two approaches based on a banking organization's asset size and/or foreign exposure. We believe the addition of a second Standardized Approach within the regulatory capital framework increases its complexity. We do not believe this additional complexity is warranted by the difference, if any, in risk profiles of the relevant exposures when they are held by organizations of different sizes. As such, we believe any changes to the capital requirements for the relevant exposures should apply across banking organizations and capital approaches. Additionally, Section 171 of the Dodd-Frank Act requires a generally-applicable risk-based capital approach that applies to banking organizations regardless of size and it is not clear how the Proposal is consistent with that requirement.

We believe that the Proposal should apply to all banking organizations and all capital approaches within the framework, as the risk profile of the relevant exposures does not appear to depend on the asset size of the banking organization holding the relevant exposure. We also believe that our recommendations are consistent with the principles and objectives outlined by the Agencies while avoiding additional complexity and confusion with provisions in the Dodd-Frank Act. Our recommendations would result in maintaining comparability and greater consistency of capital levels and risk-weighted assets across financial institutions, ultimately providing more meaningful and useful information to all market participants.

Thank you for considering our comments. If you have any questions, please contact me.

Sincerely,



Neal Blinde
Executive Vice President and Treasurer

"(B) includes the regulatory capital components in the numerator of those capital requirements, the risk-weighted assets in the denominator of those capital requirements, and the required ratio of the numerator to the denominator."