



April 12, 2016

Mr. John G. Stumpf
Chairman and Chief Executive Officer
Wells Fargo & Company
420 Montgomery Street, 12th Floor
San Francisco, California 94104

Dear Mr. Stumpf:

On July 1, 2015, the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation (FDIC) (together, the Agencies) received the annual resolution plan submission (2015 Plan) of Wells Fargo & Company (WFC) required by section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), 12 U.S.C. § 5365(d), and the jointly issued implementing regulation, 12 CFR Part 243 and 12 CFR Part 381 (the Resolution Plan Rule). The Agencies have reviewed the 2015 Plan taking into consideration section 165(d) of the Dodd-Frank Act, the Resolution Plan Rule, the letter that the Agencies provided to WFC in November 2014 (the 2014 Letter) regarding WFC's 2014 resolution plan submission, the communication the Agencies made to WFC in February 2015 clarifying the 2014 Letter (the 2015 Communication), other guidance provided by the Agencies, and other supervisory information available to the Agencies.

In reviewing the 2015 Plan, the Agencies noted improvements over prior resolution plan submissions of WFC. Nonetheless, the Agencies have jointly determined pursuant to section 165(d) of the Dodd-Frank Act and section .5(b) of the Resolution Plan Rule that the 2015 Plan is

not credible or would not facilitate an orderly resolution under the U.S. Bankruptcy Code.

Section II of this letter identifies the aspects of the 2015 Plan that the Agencies jointly determined to be deficient.

WFC must provide a submission that addresses the deficiencies jointly identified by the Agencies and otherwise satisfies the requirements of section .5(c) of the Resolution Plan Rule by October 1, 2016 (2016 Submission). The 2016 Submission must include a separate public section that explains the actions the firm has taken to address the jointly identified deficiencies. The 2016 Submission will satisfy the informational requirements of WFC's annual resolution plan submission for 2016 (i.e., the 2016 Submission is not required to contain informational content other than as specified in this letter). In the event that the 2016 Submission does not adequately remedy the deficiencies identified by the Agencies in this letter, the Agencies may jointly determine pursuant to section .6 of the Resolution Plan Rule that WFC or any of its subsidiaries shall be subject to more stringent capital, leverage, or liquidity requirements, or restrictions on their growth, activities, or operations.

I. Background

Section 165(d) of the Dodd-Frank Act requires that each bank holding company with \$50 billion or more in total consolidated assets and each designated nonbank financial company report to the Agencies the plan of such company for its rapid and orderly resolution in the event of material financial distress or failure. Under the statute, the Agencies may jointly determine, based on their review, that the plan is “not credible or would not facilitate an orderly resolution of the company under Title 11, United States Code.”¹ The statute and the Resolution Plan Rule

¹ 12 U.S.C. § 5365(d)(4).

provide a process by which the deficiencies jointly identified by the Agencies in such a plan may be remedied.

In addition to the Resolution Plan Rule, the Agencies have provided supplemental written information and guidance to assist WFC's development of a resolution plan that satisfies the requirements of section 165(d) of the Dodd-Frank Act. This information and guidance included:

- The April 2013 joint guidance to 2012 plan filers, which addressed a number of resolution plan issues and detailed five significant obstacles to orderly resolution in bankruptcy (multiple competing insolvencies, global cooperation, operations and interconnections, counterparty actions, and liquidity and funding).²
- The 2014 Letter, which outlined a number of shortcomings in the 2014 resolution plan submission and specific issues to be addressed in the 2015 Plan. The 2014 Letter explicitly reminded WFC that failure to make demonstrable progress in addressing these shortcomings and in taking the additional actions set forth in the 2014 Letter could result in a joint determination that the 2015 Plan is not credible or would not facilitate orderly resolution in bankruptcy.
- The 2015 Communication, which provided additional staff guidance in response to WFC's December 2014 submission describing certain proposed elements of the 2015 Plan. Among other things, the 2015 Communication reminded firms to make conservative assumptions and provide substantial supporting analysis concerning certain of the proposed 2015 Plan elements.

Furthermore, since the release of the 2014 Letter, the Agencies have made staff available to answer questions related to the 2015 Plan.

In July 2015, the Agencies received the 2015 Plan and began their review. The Agencies reviewed WFC's 2015 Plan to determine whether it satisfies the requirements of section 165(d)

² See "Guidance for 2013 §165(d) Annual Resolution Plan Submissions by Domestic Covered Companies that Submitted Initial Resolution Plans in 2012" (2013 Guidance), issued jointly by the Agencies on April 15, 2013. The 2013 Guidance further noted that "this list of Obstacles is not exhaustive and does not preclude other Obstacles from being identified by the Agencies in the future, nor does it preclude Covered Companies from identifying and addressing other weaknesses or potential impediments to resolution."

of the Dodd-Frank Act and the Resolution Plan Rule. As part of their review, the Agencies assessed whether the 2015 Plan addressed each of the items identified in the 2014 Letter and the 2015 Communication, including whether the firm has made demonstrable progress to improve resolvability under the U.S. Bankruptcy Code based on the actions that the firm had completed by the 2015 Plan date against the firm's full-implementation schedule. Firms were expected to provide a timetable for completion of the remaining actions after the 2015 Plan date that included well-identified interim achievement benchmarks against which the Agencies can measure progress. Planned future actions are generally expected to be fully implemented by the date of the firm's 2017 Plan or earlier.³

Progress Made by WFC

Over the past several years, WFC has taken important steps to enhance the firm's resolvability and facilitate its orderly resolution in bankruptcy, including:

- Since the crisis, the firm has increased firm-wide high-quality liquid assets.
- In addition to improving its overall capital position, WFC has complied with the clean holding company guidance from the 2014 Letter and 2015 Communication.
- The firm has continued to develop new playbooks to inform actions and decision making during resolution.
- WFC has transitioned [REDACTED] to help track financial contracts. The firm has made enhancements to data management through enhancements to Governance and Oversight of Regulatory Reporting and Risk Data and Technology and Enterprise Risk Aggregation.
- The firm has eliminated a significant number of legal entities since the acquisition of Wachovia Corporation in December 2008.

³ The 2015 Communication explicitly advised that remaining actions required by the Agencies in the 2014 Letter and the 2015 Communication to improve resolvability generally are expected to be completed no later than July 1, 2017.

- The firm has adhered to the ISDA 2015 Universal Resolution Stay Protocol.

II. Deficiencies and Remediation

Notwithstanding the noted progress WFC has made to date, the Agencies jointly identified three aspects of the 2015 Plan that are deficient. Moreover, the 2015 Plan lacked important and detailed analysis supporting its plan for an orderly resolution.

GOVERNANCE

The Agencies identified a deficiency regarding WFC's resolution planning governance. The 2015 Plan contained material errors that required resubmission of the 2015 Plan's financial information. For example, substantial changes were required for projections supporting the least-cost test analysis and the volume of available liquid assets at the time of the transfer of Wells Fargo Bank, National Association (WFBNA) to the FDIC as receiver. The latter was especially important as the original volume of liquid assets and its trajectory of decline did not support WFBNA's failure state. These errors call into question the executability of the 2015 Plan, as the lack of effective resolution planning governance raises concerns regarding quality control, senior management oversight, and recovery and resolution planning staffing.

The 2015 Plan represented that the firm's leadership steering committee, recovery and resolution planning office, and lines of business/control and support functions all had input into the 2015 Plan prior to its submission. The material errors noted above call into question the extent to which there was appropriate internal review and coordination with respect to the 2015 Plan prior to its submission.

To address this deficiency, WFC must demonstrate in its 2016 Submission that it has implemented a robust process to ensure quality control and accuracy regarding its resolution plan submissions and the consistency of financial and other information reported for material legal

entities and other elements of its resolution plan. To demonstrate that the firm has addressed these issues, including quality control and the accuracy of information, the firm must set forth the specific processes it has implemented regarding the preparation of resolution plans, including the mechanisms for independently verifying internal coordination and review and active oversight by senior management.

OPERATIONAL

The Agencies identified a deficiency regarding WFC's shared services and bridge strategy.

Shared Services: As provided in both the 2014 Letter and the 2015 Communication, the Agencies expected the 2015 Plan to reflect that WFC has established service level agreements (SLAs) and contingency arrangements between material entities,⁴ as well as between material entities and third parties, with terms sufficient to ensure surviving entities would have continued access to services that support critical operations. As explained below, the Agencies have jointly determined that the failure of the 2015 Plan to reflect sufficient progress toward identifying shared services and establishing SLAs and contingency arrangements that are critical to the successful execution of the firm's bridge bank strategy is a deficiency.

The identification of shared services is a fundamental first step toward achieving basic capabilities related to the continuation (including transfer or wind-down) of critical operations in resolution. Failure to have completed the identification of the shared services that support critical operations (Critical Services) raises uncertainty about WFC's ability to maintain critical operations and execute its preferred resolution strategy.

⁴ "Material entities," "critical operations," and "core business lines" refer to the material entities, critical operations, and core business lines identified in the 2015 Plan.

Additionally, while incorporating in the 2015 Plan the expanded option of separating WFBNA into ■ regional units for disposition rather than ■ is a positive development, the 2015 Plan did not demonstrate that the firm could achieve that separability. The identification of all Critical Services applicable to each regional unit is crucial to the execution of the firm's strategy as these services would need to be maintained by any acquirer of the units to allow for a smooth transition and operation.

By the 2016 Submission, WFC must identify all Critical Services necessary to support its material entities and regional units identified for disposition; map how and where these services support the firm's core business lines, critical operations, and regional units that the firm plans to dispose of as part of its resolution strategy; and incorporate such mapping into its legal entity rationalization criteria and implementation efforts (i.e., stating that all Critical Services are provided in the bank chain does not suffice).

Bridge Strategy: As previously noted, the 2015 Plan's bridge bank exit relied on separating WFBNA into ■ regional units, which requires WFC to address a range of operational issues. WFC must show that its strategy could be executed as described in the 2015 Plan by demonstrating that the separation and sale are sufficiently actionable.⁵

LEGAL ENTITY RATIONALIZATION

The Agencies also identified a deficiency in the 2015 Plan regarding the criteria for a rational and less-complex legal entity structure. The 2014 Letter directed WFC to develop a set of criteria for a rational legal entity structure that considers the best alignment of legal entities and business lines to improve the firm's resolvability.

⁵ Requirements regarding actionability of the separation and sale are described in the Legal Entity Rationalization section below.

WFC's legal entity rationalization criteria lack the specificity that would clearly lead to actions or arrangements that promote the best alignment of legal entities and business lines to improve the firm's resolvability. Additionally, the accompanying "Guiding Principles" for rationalization are not appropriately focused on resolution considerations. Application of the Guiding Principles could prioritize business-as-usual needs over resolution needs in determining which project plans are undertaken. While [REDACTED] of the [REDACTED] criteria provided could result in actions that improve resolvability, statements such as [REDACTED]

[REDACTED] lack the specificity required for consistent implementation.

Further, the 2015 Plan stated that [REDACTED]

[REDACTED] The lack of an adequate framework to ensure the appropriate prioritization of the criteria versus the commercially focused Guiding Principles could further deemphasize resolvability concerns during implementation.

While the 2015 Plan indicated that the majority of critical operations and services are conducted in WFBNA, legal entity rationalization criteria should not only provide for the rationalization of current entities, but also provide for adequate controls for future strategic actions. The lack of adequate criteria that provide sufficient specificity and give appropriate focus to resolution considerations raises questions about whether the firm's legal entity structure would facilitate the execution of the firm's resolution strategy in an orderly resolution, particularly given ongoing and anticipated expansion in the firm's activities and geographic reach.

In addition, the reliance on the separation of WFBNA into ■ regional units during the 2015 Plan's bridge bank exit requires WFC to address a range of operational issues to ensure those divestitures are actionable. The 2015 Plan lacked detail regarding a number of areas important to the separation and sale of the businesses, such as Critical Services and key personnel.

To address this deficiency, WFC's 2016 Submission must establish legal entity rationalization criteria that (A) are clear, actionable, and promote the best alignment of legal entities and business lines to improve the firm's resolvability and (B) govern the firm's corporate structure and arrangements between legal entities in a way that facilitates the firm's resolvability as its activities, technology, business models, or geographic footprint change over time. The 2016 Submission also must reflect that WFC has established governance procedures to ensure its revised criteria are applied on an ongoing basis. The 2016 Submission also must demonstrate that the regional separation in its 2015 Plan is sufficiently actionable by including detailed information for each regional unit regarding (A) Critical Services, (B) key personnel, (C) use and access to technology, and (D) other elements required to effectuate the sale of the regional units as provided for in the strategy.

III. Conclusion

If you have any questions about the information communicated in this letter, please contact the Agencies.

Very truly yours,

(Signed)

Robert deV. Frierson
Secretary of the Board
Board of Governors of the
Federal Reserve System

Very truly yours,

(Signed)

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation