



November 22, 2022

Mr. Steven D. Black  
Chairman of the Board  
Mr. Charles W. Scharf  
President and Chief Executive Officer  
Wells Fargo & Company  
420 Montgomery Street, 12th Floor  
San Francisco, California 94104

Dear Mr. Black and Mr. Scharf:

On or before July 1, 2021, the Board of Governors of the Federal Reserve System (Board) and the Federal Deposit Insurance Corporation (FDIC) (together, the Agencies) received the targeted resolution plan submission (2021 Targeted Plan) of Wells Fargo & Company (the Covered Company), as required by section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as amended (Dodd-Frank Act), 12 U.S.C. § 5365(d), and the jointly issued implementing regulation, 12 CFR Part 243 and 12 CFR Part 381, as amended (Resolution Plan Rule).

The Agencies have reviewed the 2021 Targeted Plan, taking into consideration section 165(d) of the Dodd-Frank Act; the Resolution Plan Rule; the feedback letter that the Agencies provided to the Covered Company on December 16, 2019 (2019 Letter), regarding the Covered Company's 2019 resolution plan submission (2019 Plan); the joint "*Guidance for § 165(d) Resolution Plan Submissions by Domestic Covered Companies Applicable to the Eight Largest,*

*Complex U.S. Banking Organizations*”;<sup>1</sup> the Covered Company’s submission provided by April 2020, regarding ongoing resolution enhancement projects; the targeted information request letter that the Agencies provided to the Covered Company on June 29, 2020 (Targeted Information Request Letter), regarding the required content of the 2021 Targeted Plan; and certain other information available to the Agencies.<sup>2</sup>

In reviewing the 2021 Targeted Plan, the Agencies noted continued development of the resolution strategy and capabilities described in prior resolution plan submissions. Among other things, the Agencies concluded that the 2021 Targeted Plan satisfactorily addressed the shortcoming that the Agencies identified in the 2019 Plan.

Nonetheless, the Agencies have noted areas where further progress will help improve the preparation of the Covered Company for a rapid and orderly resolution, as discussed in section III below. The Agencies did not, however, identify as a result of this review shortcomings or deficiencies in the Covered Company’s 2021 Targeted Plan.

Per the Resolution Plan Rule, the Covered Company is required to submit a full resolution plan on or before July 1, 2023 (2023 Full Plan). As discussed below, the Agencies expect their review of the 2023 Full Plan to include expanded validation and testing of the firm’s resolution capabilities. The Agencies also expect to engage with the Covered Company prior to submission of the 2023 Full Plan to prepare for the review, including through planning for capabilities assessments and testing.

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<sup>1</sup> 84 Fed. Reg. 1438, 1449 (Feb. 4, 2019).

<sup>2</sup> In addition, the staffs of the Agencies engaged with the Covered Company during the development of the 2021 Targeted Plan and during the Agencies’ review of the 2021 Targeted Plan to seek clarification, pose questions regarding the Covered Company’s submissions, and discuss progress regarding items mentioned in the 2019 Letter.

## I. Background

Section 165(d) of the Dodd-Frank Act requires that each bank holding company with \$250 billion or more in total consolidated assets, certain bank holding companies with total consolidated assets of between \$100 billion and \$250 billion, 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.<sup>3</sup> A firm, such as the Covered Company, that is a biennial filer under the Resolution Plan Rule is required to file a resolution plan every two years, alternating between full and targeted resolution plans.<sup>4</sup>

Pursuant to the Resolution Plan Rule, the 2021 Targeted Plan was required to include the core elements;<sup>5</sup> the Covered Company's response to the targeted information request (as set forth in the Targeted Information Request Letter); a description of each material change experienced by the Covered Company since its previously submitted resolution plan (or affirmation that no such material change has occurred) and the changes the Covered Company has made to its resolution plan in response; a description of changes to the Covered Company's previously submitted resolution plan resulting from changes in law or regulation, or from guidance or feedback from the Agencies;<sup>6</sup> and a public section.<sup>7</sup>

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<sup>3</sup> In addition, section 401(f) of the Economic Growth, Regulatory Relief, and Consumer Protection Act provides that any bank holding company, regardless of asset size, that is identified as a global systemically important bank holding company under 12 CFR § 217.402 shall be considered a bank holding company with \$250 billion or more in total consolidated assets with respect to the application of standards or requirements under section 165 of the Dodd-Frank Act. 12 U.S.C. § 5365 note.

<sup>4</sup> 12 CFR §§ 243.4(a), 381.4(a).

<sup>5</sup> "Core elements" means the information required to be included in a full resolution plan pursuant to section \_\_.5(c); (d)(1)(i), (iii), and (iv); (e)(1)(ii), (2), (3), and (5); (f)(1)(v); and (g) of the Resolution Plan Rule, regarding capital, liquidity, and the Covered Company's plan for executing any recapitalization contemplated in its resolution plan, including updated quantitative financial information and analyses important to the execution of the Covered Company's resolution strategy. 12 CFR §§ 243.2, 381.2; *see also* Resolution Plans Required, 84 Fed. Reg. 59194, 59208 at n.35 (Nov. 1, 2019).

<sup>6</sup> 12 CFR §§ 243.6(b), 381.6(b).

<sup>7</sup> 12 CFR §§ 243.11(c), 381.11(c).

Under section 165(d) of the Dodd-Frank Act, the Agencies may jointly determine, based on their review, that a firm’s resolution plan is “not credible or would not facilitate an orderly resolution of the company under Title 11” of the United States Code (U.S. Bankruptcy Code).<sup>8</sup> An orderly resolution for a firm such as the Covered Company means the reorganization or liquidation of the firm under the U.S. Bankruptcy Code that can be accomplished within a reasonable period of time and in a manner that substantially mitigates the risk that the failure of a covered company would have serious adverse effects on financial stability in the United States.<sup>9</sup> Under the Resolution Plan Rule, the Agencies can jointly identify shortcomings or deficiencies in a covered company’s resolution plan.<sup>10</sup> The Resolution Plan Rule also provides processes by which shortcomings or deficiencies jointly identified by the Agencies in a resolution plan may be remedied.

## **II. Results of Agencies’ Review of 2021 Targeted Plan**

The 2021 Targeted Plan discussed actions taken by the Covered Company to improve its resolvability, as discussed below.<sup>11</sup>

### Efforts to address shortcoming in 2019 Letter

The Covered Company has adequately addressed the governance mechanisms shortcoming identified in the 2019 Letter. To reach this determination, the Agencies reviewed the information provided in the Covered Company’s 2021 Targeted Plan, as well as reports

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<sup>8</sup> 12 U.S.C. § 5365(d)(4).

<sup>9</sup> 12 CFR §§ 243.2, 381.2.

<sup>10</sup> 12 CFR §§ 243.8(b), (e) and 381.8(b), (e).

<sup>11</sup> The Agencies also note that, as required by the Resolution Plan Rule, the Covered Company included in its 2021 Targeted Plan information about material changes. 12 CFR §§ 243.6(b)(3), 381.6(b)(3). The Covered Company also included in its 2021 Targeted Plan information responding to the Targeted Information Request Letter regarding the Covered Company’s actions in response to events surrounding the coronavirus-related stress in 2020. The Covered Company reported that the events surrounding the coronavirus prompted it to make certain adjustments to its resolution-related capabilities.

prepared by the Covered Company's internal audit for confirmation of the information provided in the 2021 Targeted Plan.

According to the 2021 Targeted Plan, the Covered Company completed and implemented its automated and systematic straight-through processing infrastructure, including centralized and automated data inputs used for resolution metrics reporting into a single technology application.

The Agencies note that the specific shortcoming and remediation outlined in the 2019 Letter are one aspect in which the Covered Company's balancing of timeliness and accuracy may affect significantly the Covered Company's resolvability and implementation of its resolution plan. As many capabilities discussed in the 2021 Targeted Plan have not been tested or validated by the Agencies, the Agencies expect to expand capabilities testing as part of their review of the 2023 Full Plan, which may include additional testing relating to the balance of timeliness and accuracy in taking action under the Covered Company's secured support agreement.

Ongoing efforts regarding governance mechanisms, liquidity, and capital capabilities

The Covered Company continued to work on its governance mechanisms capabilities by simulating and testing the operationalization of its secured support agreement with key decisionmakers and by incorporating lessons learned from testing, simulations, and tabletop exercises. The Covered Company centralized its recovery and resolution planning functions within the business-as-usual (BAU) activities of its treasury department and also increased material entities' input into assumptions and scenarios. The Covered Company increased the frequency of key reporting in BAU and developed template reporting packages. In addition, the Covered Company made changes to match secured support agreement and management information systems terminology and taxonomy.

The Covered Company also continued working on its capabilities to calibrate and alter assumptions in its resolution liquidity execution need (RLEN) methodologies: The Covered Company has continued to integrate RLEN production with other BAU liquidity risk management processes; made investments intended to improve data sourcing and aggregation processes used to estimate RLEN; and developed its governance and controls around RLEN adjustments and conducted exercises to test its RLEN capabilities.

The Covered Company also continued working on its forecasting capabilities and production of its resolution capital execution need (RCEN), with reduced manual intervention, more frequent reporting of BAU capital metrics, and shorter required production time. The Covered Company developed the capability to produce daily material-entity-level financial statements, and enhanced its capital pre-positioning framework with the objective of balancing certainty and flexibility. The Covered Company also made adjustments intended to improve its governance processes, including changes to playbooks, escalation, and reporting.

### **III. Future Resolvability Improvements**

While the Covered Company has made progress in improving its resolution capabilities, the Agencies expect that the Covered Company will continue to develop its resolution readiness, including by completing pending projects identified in the 2021 Targeted Plan. In reviewing the 2021 Targeted Plan, the Agencies identified aspects relating to governance mechanisms, liquidity, and capital where they expect ongoing improvements by the firm, as discussed below.

Specifically, the Agencies expect that the Covered Company will continue its efforts to improve governance mechanisms processes that support resolvability and resolution, including the operationalization of its secured support agreement. The Agencies also expect the Covered Company to continue to perform capabilities testing through simulations and tabletop

exercises to assess, in varied resolution scenarios, core resolution capabilities that support decision-making by material entities' boards of directors and senior management.

Further, the Agencies expect that the Covered Company will continue to improve its liquidity resolution capabilities to reflect further actual stress conditions. The Agencies also expect that the firm will continue to test its RLEN capabilities, including testing related to the governance of RLEN assumption changes.

Additionally, the Agencies expect the Covered Company to continue to improve its capital resolution capabilities, including a methodology for periodically estimating the amount of capital that may be needed to support each material entity after the bankruptcy filing.

#### **IV. Resolution Capabilities Testing and Next Plan Review**

Among other things, testing of resolution capabilities by the Covered Company and by the Agencies can help inform the firm and its management, as well as the Agencies, about strengths and weaknesses in the Covered Company's resolution preparedness. Further, assessing the Covered Company's ability to execute its plan is the next logical step as the firm's resolution planning efforts have matured. To that end, the Agencies conducted capabilities testing as part of reviewing the Covered Company's 2019 Plan and the 2021 Targeted Plan. These testing efforts revealed meaningful information about the Covered Company's capabilities and areas on which it should focus its efforts. Accordingly, the Agencies anticipate conducting additional capabilities testing and validation work as they continue assessing the Covered Company's resolvability. Among other things, the Agencies are considering conducting focused evaluations during the review of the Covered Company's 2023 Full Plan of (i) whether the firm's reliability of data, data accuracy, and BAU data capabilities are adequate to support its resolutions strategies and plans and (ii) the firm's policies and expected practices for moving liquidity at

various points along the stress continuum. The Agencies expect to engage with the Covered Company and other firms during the period preceding submission of the 2023 Full Plan.

**V. Conclusion**

The resolvability of firms will change as markets and firms' activities, risk profiles, and structures change. In addition to the ongoing resolvability work noted in section III above, the Agencies expect the Covered Company to continue to address the resolution consequences of these changes and its day-to-day management decisions to fulfill its obligation to enable the rapid and orderly resolution of the Covered Company in bankruptcy.

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

Sincerely,

*(Signed)*

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Ann E. Misback  
Secretary of the Board  
Board of Governors of the Federal Reserve System

Sincerely,

*(Signed)*

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Debra A. Decker  
Executive Secretary  
Federal Deposit Insurance Corporation