



Washington, DC 20219

Interpretive Letter #1151

November 2014

12 CFR 3, Subpart E

September 29, 2014

Paul R. Ackerman
Executive Vice President & Treasurer
Wells Fargo Bank, N.A.
343 Sansome Street, Second Floor
San Francisco, CA 94163

Subject: Wells Fargo Delaware Trust Company, N.A. – Exemption from Internal Ratings-Based and Advanced Measurement Approaches

Dear Mr. Ackerman:

We are writing to exempt Wells Fargo Delaware Trust Company, N.A. (WFDTC) from calculating its capital requirements in accordance with the *Risk-Weighted Assets—Internal Ratings-Based and Advanced Measurement Approaches* (Basel III Advanced Approaches Framework).¹ Based on the facts and circumstances discussed below, the OCC determines that application of the Basel III Advanced Approaches Framework is not appropriate for WFDTC based on the bank's risk profile and scope of operations.

Discussion

OCC regulations provide that a bank that is subject to the Basel III Advanced Approaches Framework must use that Framework to calculate its capital requirement “unless the Office of the Comptroller of the Currency determines in writing that the application of [the Framework] is not appropriate in light of the bank's asset size, level of complexity, risk profile, or scope of operations.”² In considering this exemption, the OCC reviewed WFDTC's risk profile, the scope and size of operations, and current capital levels and balance sheet.

Based on the facts and circumstances reviewed by OCC supervisory staff, including an evaluation of its risk profile, the OCC has determined that the application of the Basel III Advanced Approaches Framework to WFDTC is not appropriate, subject to the conditions below. Applying the Basel III Advanced Approaches Framework to WFDTC would not meaningfully enhance the banking group's overall risk management because WFDTC's risks are captured and recorded by WFDTC's affiliates. Additionally, given WFDTC's lack of complexity and limited scope of operations, implementation of the Basel III Advanced Approaches Framework is not likely to result in tangible improvements to risk management or higher levels

¹ 12 C.F.R., part 3, subpart E.

² 12 C.F.R. § 3.100 (b)(2).

of required capital. Furthermore, as a condition to the OCC's determination, discussed below, WFDTC will be required to capture credit and operational loss events as specified by the Basel III Advanced Approaches Framework in the event that the Internal Ratings-Based and Advanced Measurement Approaches become appropriate for WFDTC.

Conditions on Approval for the Exemption from the Basel III Capital Framework

The OCC has determined that it will exempt WFDTC from the Basel III Capital Framework pursuant to 12 C.F.R. § 3.100 (b)(2),³ subject to the conditions set forth below. WFDTC must meet these conditions, unless notified otherwise by the OCC:

1. WFDTC will calculate its tier 1 and tier 2 capital under risk-based capital standards set forth in 12 C.F.R. part 3, subpart D, as applicable, as reported in WFDTC's Consolidated Reports of Condition and Income (Call Report), and any subsequent revisions thereto.
2. WFDTC shall maintain a system to analyze and maintain capital commensurate with WFDTC's risk profile, in conformance with OCC Bulletin 2007-21, Supervision of National Trust Banks – Revised Guidance: Capital and Liquidity.
3. WFDTC must continue to capture information on credit and operational loss events as specified by 12 C.F.R. part 3, subpart E.
4. WFDTC is not required to fill out the FFIEC 101, but must continue to file the FFIEC 031 or 041 reports.
5. WFDTC must provide its OCC Examiner-in-Charge with at least 60 days notice of its intent to significantly deviate from or change its business plan or operations.
6. WFDTC must provide an annual statement to the OCC that addresses whether the exemption is still appropriate. The annual statement, which must be provided no later than April 1st of each year, must include a description of WFDTC's asset size, level of complexity, risk profile, and scope of operations in order to support the continuation of the exemption.
7. The OCC may rescind or modify this exemption if the OCC determines that application of the risk-based capital standards set forth in 12 C.F.R. part 3, subpart D, as applicable, as reported in WFDTC's Consolidated Reports of Condition and Income (Call Report), and any subsequent revisions thereto are no longer appropriate for WFDTC.

The above-listed conditions of this approval are conditions "imposed in writing by [the OCC] in connection with any action on any application, notice, or other request" within the meaning of 12 U.S.C. § 1818 and, as such, are enforceable under 12 U.S.C. § 1818.

This exemption determination is based on WFDTC's information available to the OCC as of August 27, 2014. The OCC may rescind or modify this exemption if the OCC determines that

³ Id.

any representation, submission, or information provided by WFDTC is not accurate, is not fulfilled, or if WFDTC fails to satisfy the conditions set forth above.

This exemption determination and the activities and communications by OCC employees in connection with this determination, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory, and examination authorities under applicable law and regulations. The non-contractual nature of the OCC's communications with WFDTC or with any of its affiliates and the OCC's continuing ability to exercise its supervisory, regulatory, and examination authorities are terms and conditions that may not be waived or modified by any employee or agent of the OCC or the United States.

If you have any questions about the approval or the conditions specified above, please do not hesitate to contact Examiner-in-Charge Bradley Linskens at (415) 396-5896.

Sincerely,

signed

Martin Pfinsgraff
Senior Deputy Comptroller
Large Bank Supervision