

June 17, 2010

The Federal Reserve Bank of New York

Re: Tri-Party Repo Infrastructure Reform

Wells Fargo & Company (“Wells Fargo”), on behalf of itself and its subsidiaries, including Wells Fargo Bank, National Association, appreciates the opportunity to comment on “A White Paper Prepared by The Federal Reserve Bank of New York” and “Tri- Party Repo Infrastructure Reform Task Force Report.” We applaud the Federal Reserve Bank of New York’s efforts to identify and mitigate the systemic risk.

Wells Fargo comments below on the specific questions contained in the White Paper:

1. Have the sources of systemic risk in the tri-party repo market been identified correctly? What additional vulnerabilities or material risks should be considered in evaluating the need for reforms in this critical market?

Yes. The White Paper prepared the Federal Reserve Bank of New York did correctly identify the primary systemic risk factors. There are no additional vulnerabilities or risks that should be considered that we are aware of.

2. Are the recommendations proposed by the task force appropriate and adequate to address the policy concerns articulated in this paper?

Yes

a) Please comment on specific recommendations that you think are most likely to be effective.

The most effective recommendations in our view are auto-substitution which should largely eliminate the extension of intraday credit by the two clearing banks and three way matching which will reduce end of day errors.

b) Please comment on specific recommendations that you believe will not be effective.

Intra day margining can be difficult and pricing still remains subjective on collateral with no transparency.

c) Please comment on specific recommendations that you believe may have unintended consequences.

NA

d) Are there additional specific measures within the general approach proposed in the task force report that should be considered?

NA

3. Are the task force recommendations, including targets for reduction of intraday credit extension by clearing banks, achievable in the timeframes outlined? What barriers or challenges to implementation do you anticipate?

In the Wells Fargo environment currently, cash is substituted for collateral needed intra day until other collateral is assigned.

4. What business impact do you anticipate from the recommendations? For example, what impact would you expect this series of reforms to have on the structure, volumes, collateral, or other parameters of the tri-party repo market?

From our perspective there is the possibility that the restrictions on intra-day credit will reduce the volume of repo executed by major participants other than Wells Fargo which is not a big user of tri party repo compared to other large broker dealers. It is difficult to forecast what that means in dollar terms

5. Considering a dealer default scenario, what additional measures should be considered to address concerns regarding potential liquidity pressures on cash lenders and surviving dealers, and the potential for fire-sale conditions?

We cannot think of any additional measures other than identified in the White Paper prepared by the Federal Reserve.

6. What measures could be taken to reduce the likelihood of cash lenders running from a troubled dealer?

We cannot think of any additional measures other than identified in the White Paper prepared by the Federal Reserve. It should be noted that any restrictions on cash lenders to stay with a troubled dealer will most likely lead to a general pull back in the extension of credit by cash lenders.

a) Are there ways to increase a lender's ability to effectively deal with a scenario in which it must accept collateral in lieu of cash following a dealer default?

None that we are aware of other than those outlined in the White Paper.

7. What other approaches to assessing and mitigating systemic risk in tri-party repo business? Arrangements should the Federal Reserve or industry leaders consider?

We cannot think of any other approaches we are aware of.

a) For example, would implementation of a central counterparty be desirable in this market? If so, what specific features of a central counterparty would be most desirable, and why?

A central counterparty has its own risks and any failure on its part shuts down the entire market.

Wells Fargo appreciates the opportunity to provide these comments in response to the Federal Reserve Bank of New York's request. If you have any questions about these comments, please contact Joe Palamara, Managing Director, SIG Settlement Operations, Wells Fargo Securities, LLC at joe.palamara@wachovia.com.

Sincerely,

Wells Fargo & Company