



June 29, 2017

**Conditional Approval #1175  
July 2017**

Mr. Matthew W. McGrory  
Senior Company Counsel  
Wells Fargo & Company  
90 S. 7<sup>th</sup> Street, MAC N9305-174  
Minneapolis, MN 55479

Re: Operating Subsidiary Application – Wells Fargo Investment Institute, Inc., Charlotte, NC  
Wells Fargo Bank, NA, Sioux Falls, SD  
Application Control Number: 2017-LB-Subs&Equities-295176

Dear Mr. McGrory:

The Office of the Comptroller of the Currency (OCC) hereby conditionally approves the application filed by Wells Fargo Bank, NA (WFBNA) on March 31, 2017 to establish Wells Fargo Investment Institute, Inc. (WFII) as an operating subsidiary.

**A. Background**

WFII currently is wholly owned by Wells Fargo & Company, San Francisco, California, which is the indirect parent of WFBNA. Wells Fargo & Company plans to transfer the ownership interest in WFII to WFBNA and thereby establish WFII as an operating subsidiary of WFBNA.

WFII is a registered investment advisor that provides investment advisory services to private equity funds, funds of funds, other investment funds, and advisory clients regarding option-related strategies. It is compensated on a fee-based basis. WFBNA represents that WFII has divested its equity interests in funds that it advises.

**B. Discussion**

The OCC's operating subsidiary regulation provides that "a national bank may conduct in an operating subsidiary activities that are permissible for a national bank to engage in directly either as part of, or incidental to, the business of banking, as determined by the OCC, or otherwise under other statutory authority."<sup>1</sup> The OCC has long held that a national bank may provide investment management services as part of the business of banking authorized under

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<sup>1</sup> 12 CFR 5.34(e).

12 USC 24(Seventh) and pursuant to its fiduciary powers under 12 USC 92a.<sup>2</sup> In addition, WFII qualifies as an operating subsidiary because it meets the requirements set forth in 12 CFR 5.34(e)(2).

### **C. Conclusion**

Based on a review of the information provided in the original application and additional submissions, including the representations and commitments made in connection with WFBNA's application, and for the reasons discussed above, we conclude that WFBNA may acquire WFII as an operating subsidiary and that WFII may engage in the investment management activities described, subject to the following conditions:

- a) WFBNA and its subsidiaries must adopt and implement policies and procedures to ensure that their activities with the Advised Funds (as defined in the application) and any fund WFII advises in the future (collectively "Funds") are in compliance with applicable requirements of section 13 of the Bank Holding Company Act (as added by section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act) and 12 CFR 44.
- b) WFBNA must adopt and implement an appropriate risk management process, acceptable to and within the timeframes set by WFBNA's examiner-in-charge, to monitor the described activities by WFII with respect to the Funds. The risk management process must be comprehensive and must include:
  - (i) Adoption and implementation of a conflict of interest policy addressing all conflicts associated with WFII's activities with the Funds.
  - (ii) Adoption and implementation of risk management policies and procedures for monitoring WFII's activities with the Funds and the risks associated with these activities, taking into account relevant factors noted in OCC guidance, including, e.g., OCC Banking Circular 277 (October 1993) & Supplemental Guidance 1 (January 1999) and Comptroller's Handbook: Risk Management of Financial Derivatives (January 1997).
  - (iii) Establishment of an appropriate governance structure to oversee WFII's activities with the Funds, including obtaining periodic reports from WFII on the investments in the Funds, including information on WFII's risk management policies and procedures.

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<sup>2</sup> See, e.g., Conditional Approval No. 1018 (Dec. 23, 2011); Conditional Approval No. 842 (Mar. 13, 2008); Interpretive Letter No. 871 (Oct. 14, 1999); Interpretive Letter No. 851 (Dec. 8, 1998); Conditional Approval No. 164 (Dec. 9, 1994); Interpretive Letter No. 648 (May 4, 1994); Interpretive Letter No. 622 (Apr. 9, 1993); Interpretive Letter No. 403 (Dec. 9, 1987).

- c) WFBNA, through WFII, must comply with the restrictions and guidelines outlined in OCC Bulletin 2004-2, concerning the provision of financial support to investment funds advised by WFBNA, its subsidiaries, or its affiliates.
- d) WFBNA must provide its examiner-in-charge with thirty days' notice before it receives, directly or indirectly, an interest in any Fund for which WFII provides services. Any such interest shall not be an interest in a Fund that directly or indirectly holds real estate or tangible personal property.
- e) The Funds will be deemed affiliates of WFBNA and its subsidiaries and affiliates for purposes of sections 23A and 23B of the Federal Reserve Act.

The conditions of this approval are conditions imposed in writing by the agency in connection with the granting of an application or other request within the meaning of 12 USC 1818. As such, the conditions are enforceable under 12 USC 1818.

This approval and the activities and communications by OCC employees in connection with the filing 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. Our approval is based on the bank's representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend or rescind this approval if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

If you have any questions concerning this letter, please contact David Reilly at (202) 649-6322 or at [David.Reilly@occ.treas.gov](mailto:David.Reilly@occ.treas.gov). Please include the application control number on any correspondence related to this filing.

Sincerely,

*signed*

Stephen Lybarger  
Deputy Comptroller for Licensing