

# Capital Reporting to Capital Management - Post Crisis

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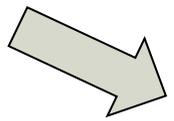
## Jeff Colson

Head of Capital Management  
Wells Fargo & Co.

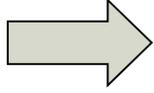
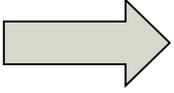
October 11, 2018



One View of Net  
Income

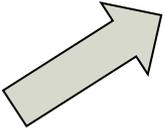


One View of  
Balance Sheet



“Closing the  
Books” and  
Light touch  
Forecasting  
and/or Ad Hoc

Limited-to-no Risk-  
based Principles



*More likely to  
spend more time  
on Actuals vs.  
Forecast.  
Accounting  
based discipline*

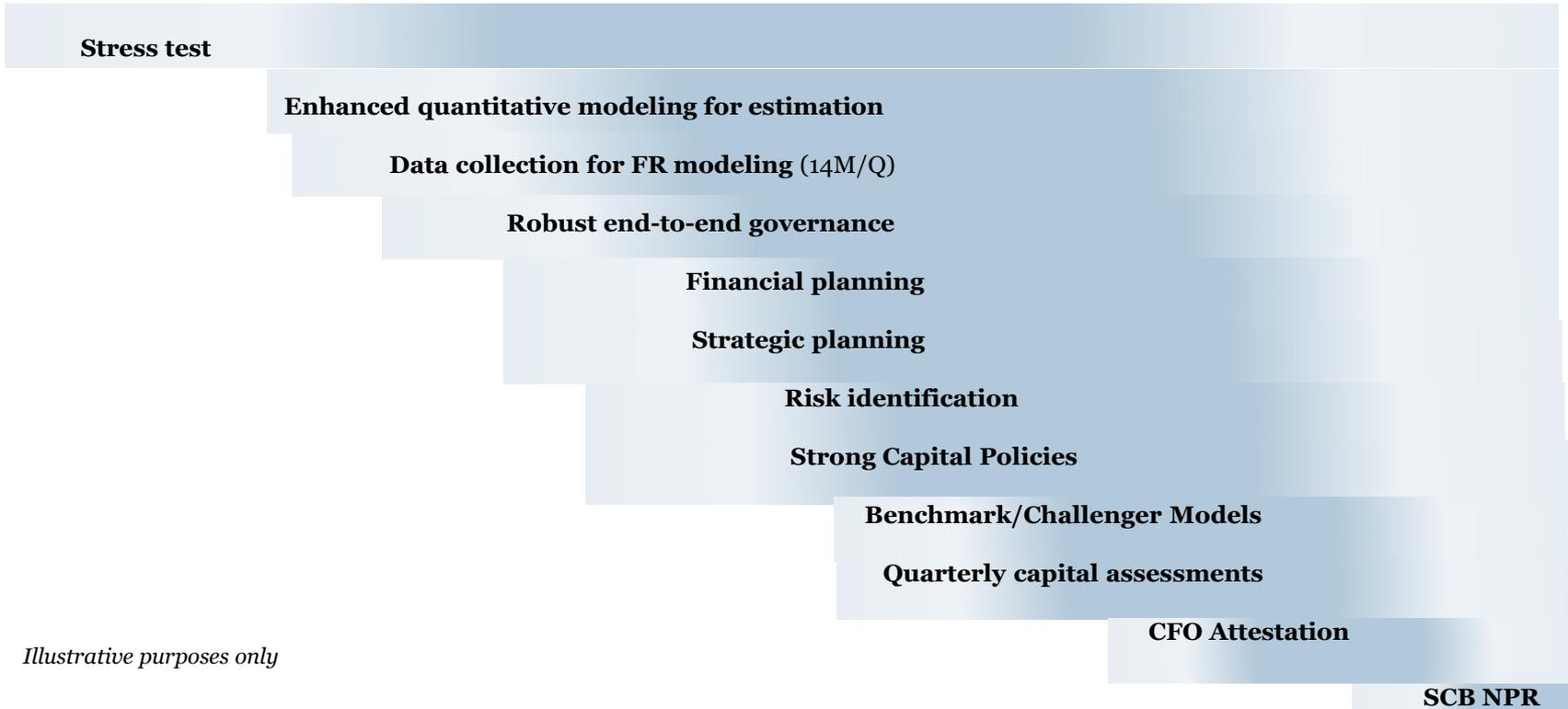
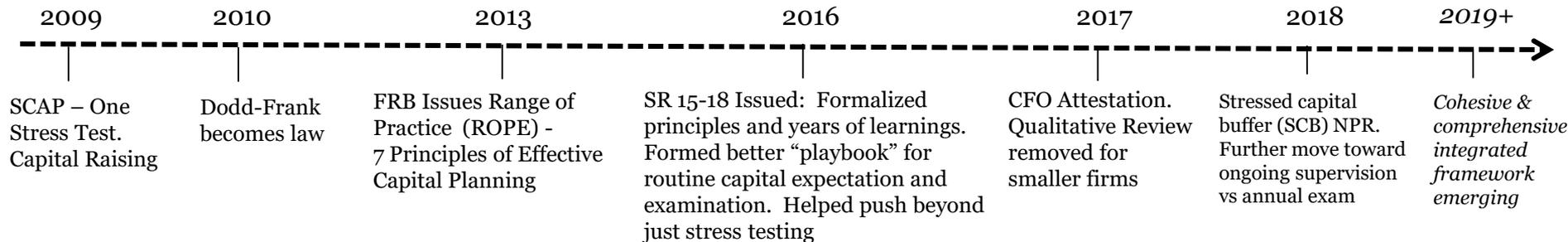
**Public Disclosure**

- Limited to reporting of quarterly capital ratios in 10-Q/K
- No stress testing disclosure (CCAR or DFAST)

*Illustrative purposes only*

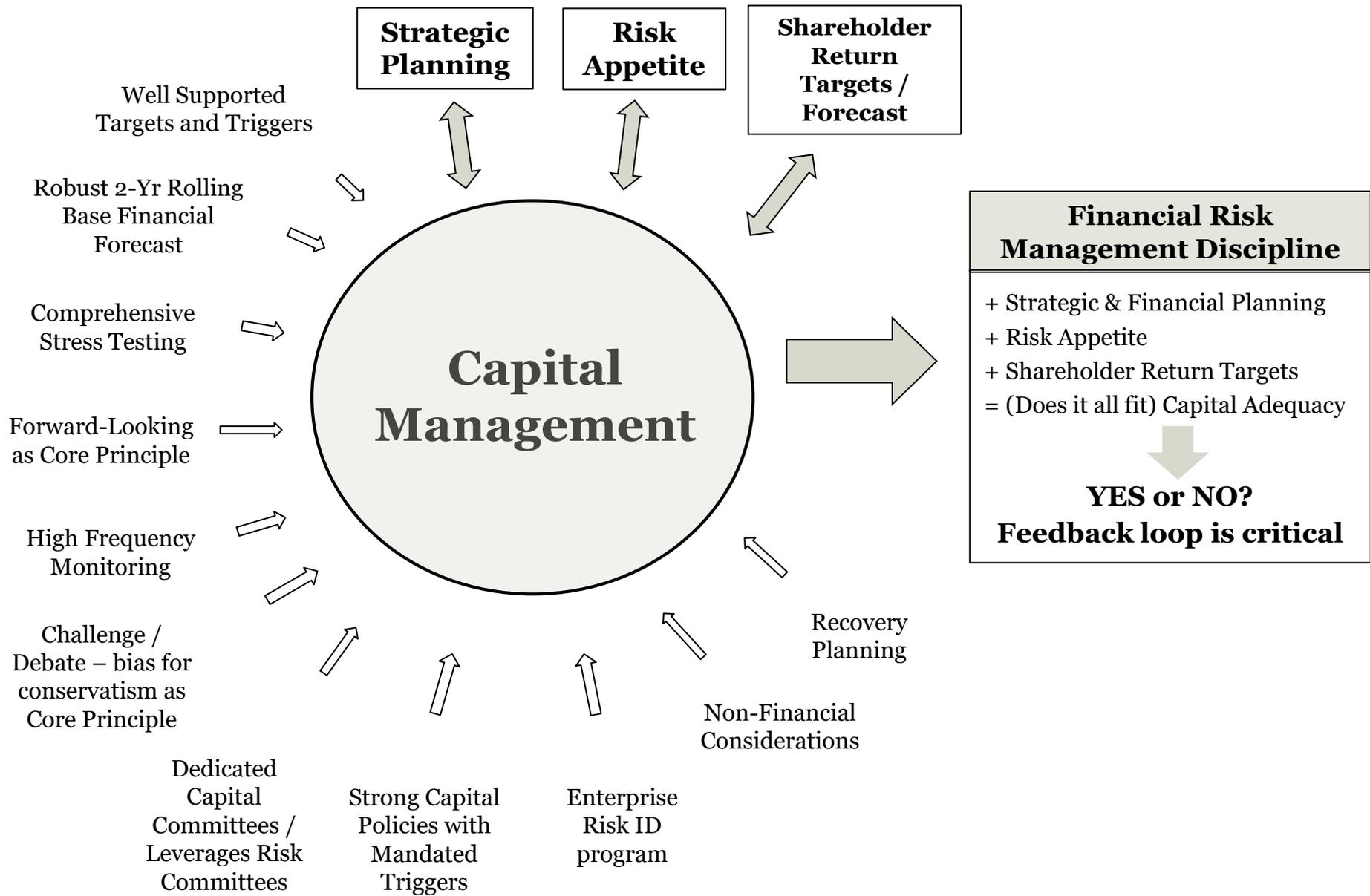
# Evolution of “CCAR” – A Trip Down Memory Lane and Path Toward Better Capital Management

**Regulatory guidance, rules and laws, together with industry participants, have helped move capital from a reporting function to a financial risk management discipline; strengthening the health of the industry**



*Illustrative purposes only*

# Post-Crisis: Capital Management as Core Component of Financial Risk Management



## Comprehensive Framework Emerging

- CCAR  $\neq$  Annual Stress Test
- CCAR + SR 15-18  $\Rightarrow$  routine Capital Adequacy focused on base & stress as complimentary. Link to risk management
- Annual “ask” for capital actions with Board  $\Rightarrow$  quarterly ask or confirmation
- Basel III proposals + SCB  $\Rightarrow$  combined comprehensive risk-based framework where stress capital becomes real world day-to-day capital
- Multiple disparate measures  $\Rightarrow$  Simplified
- Annual check-up/exam  $\Rightarrow$  Ongoing supervision aligned with ongoing internal capital routines

## Financial Risk Management

- Capital Management  $\Rightarrow$  1 component of Financial Risk Management (not self-standing)
- Baseline capital and Risk Appetite connections:
  - Capital should be considered in setting of Risk Appetite key metrics (but not necessarily an allocation process)
  - Robust early-warning monitoring of baseline Risk Appetite linked to Capital Management
- Stressed capital  $\Rightarrow$  Support and test Risk Appetite boundaries
- Stressed capital  $\Rightarrow$  Key support for Risk Capacity (but 1 of many considerations)
- Capital Allocations  $\Rightarrow$  to include consideration of stress capital
- Multiple constraints should exist, but in cohesive framework where linked