

**Meeting between Federal Reserve Staff
and Representatives of Wells Fargo
September 1, 2010**

Participants: Mitch Christensen, Ed Kadletz and Brenda Yost (Wells Fargo)

Louise Roseman, Chris Clubb, Edith Collis, Jennifer Davidson, Dena Milligan, Jeffrey Yeganeh, Stephanie Martin, Mark Manuszak, David Mills, David Stein, Vivian Wong, Ky Tran-Trong, Joshua Hart, Geoff Gerdes and Robin Prager (Federal Reserve Board) and Julia Cheney (Federal Reserve Bank of Philadelphia)

Summary: Staff of the Federal Reserve Board and the Federal Reserve Bank of Philadelphia met with representatives of Wells Fargo to discuss the interchange fee provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Using prepared materials, representatives of Wells Fargo discussed Wells Fargo's debit card programs, the process for authorizing a debit card transaction, the clearing and settlement of debit card transactions, and debit card fraud. A copy of the document distributed by Wells Fargo's representatives at the meeting is attached below.

Debit Card Discussion with Federal Reserve Board

Mitch Christensen

Ed Kadletz

Brenda Yost

September 1, 2010

Washington, DC

Together we'll go far



Agenda

- Introductions
- Wells Fargo Debit Program Overview
- Authorization Process
- Settlement Process
- Fraud Trends
- General Topics

Wells Fargo's Debit Card Program

- Wells Fargo offers a full range of debit and prepaid card solutions to customers to access funds



Consumer Cards



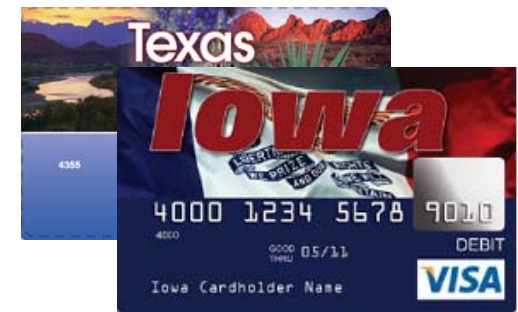
Small Business Cards



Campus Cards



Gift Cards



Government Cards

Wells Fargo's Debit Card Program Metrics

- 36MM debit cards in circulation
- 90% of consumer checking accounts have a debit card
- \$176 billion in purchase volume, 2nd largest debit issuer in the US
- 4.5 billion purchase transactions
- 4.9MM reward cardholders
 - 3.3MM combo with credit, 1.6MM debit only

Strategy and Process

Cross-sell

Integrated product positioning in partnership with the Regional Bank and other internal partners that **leverage Wells Fargo's multi-channel distribution model, customer touch points and technology platforms**

Share of Wallet-Spend

Aspire to be 'top of wallet' position whether our customers want to pay ahead (pre-paid), pay now (debit), or pay later (credit) supported by innovative tools and **value propositions around improved money management, rewards and protection**

Qualification

Penetration

Issuance

Fraud Activation

POS Activation

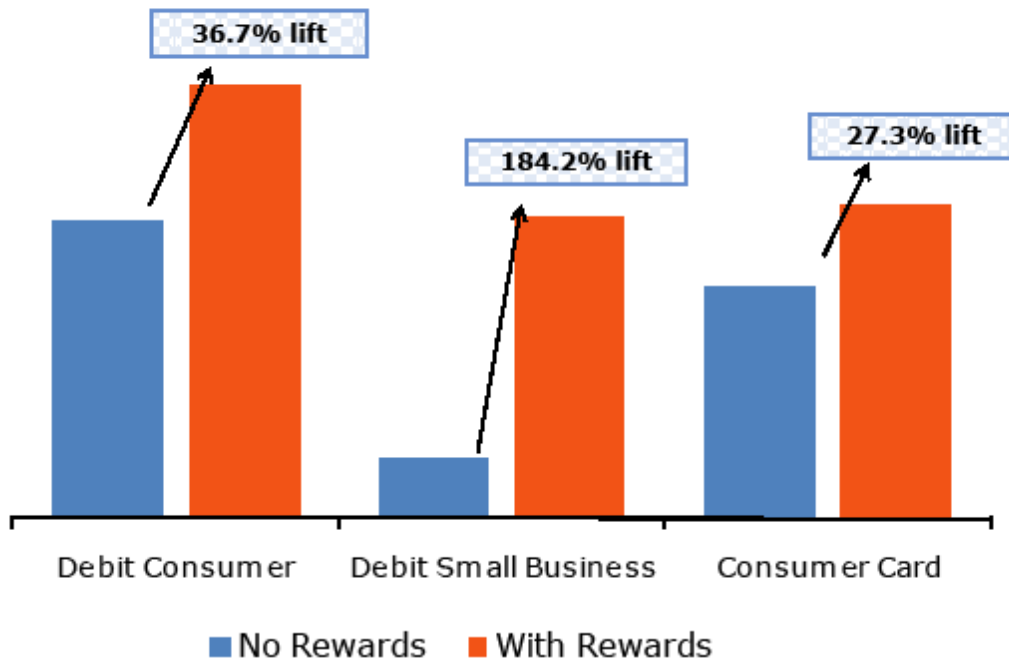
Ongoing Usage

Keys to Cardholder Activation and Usage

- Cardholder education
 - How to use the card
 - Benefits
 - Merchant acceptance
 - Incentives
 - Fraud monitoring
 - Zero liability
- Feature / function:
 - Instant Debit Cards
 - Card Design Studio[®]
 - Rewards
 - Way2Save[®]
 - Alerts
 - My Spending Report[®]
 - Contactless

Reward participants have higher activation and higher usage rates

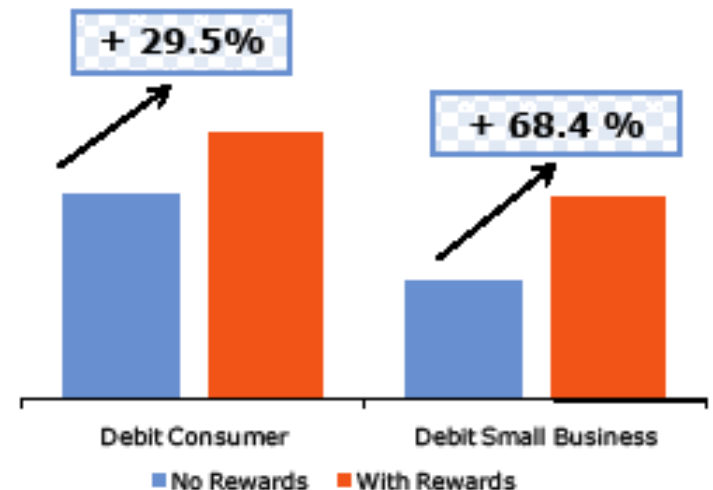
Legacy WFC
Activation Rate – March 2010



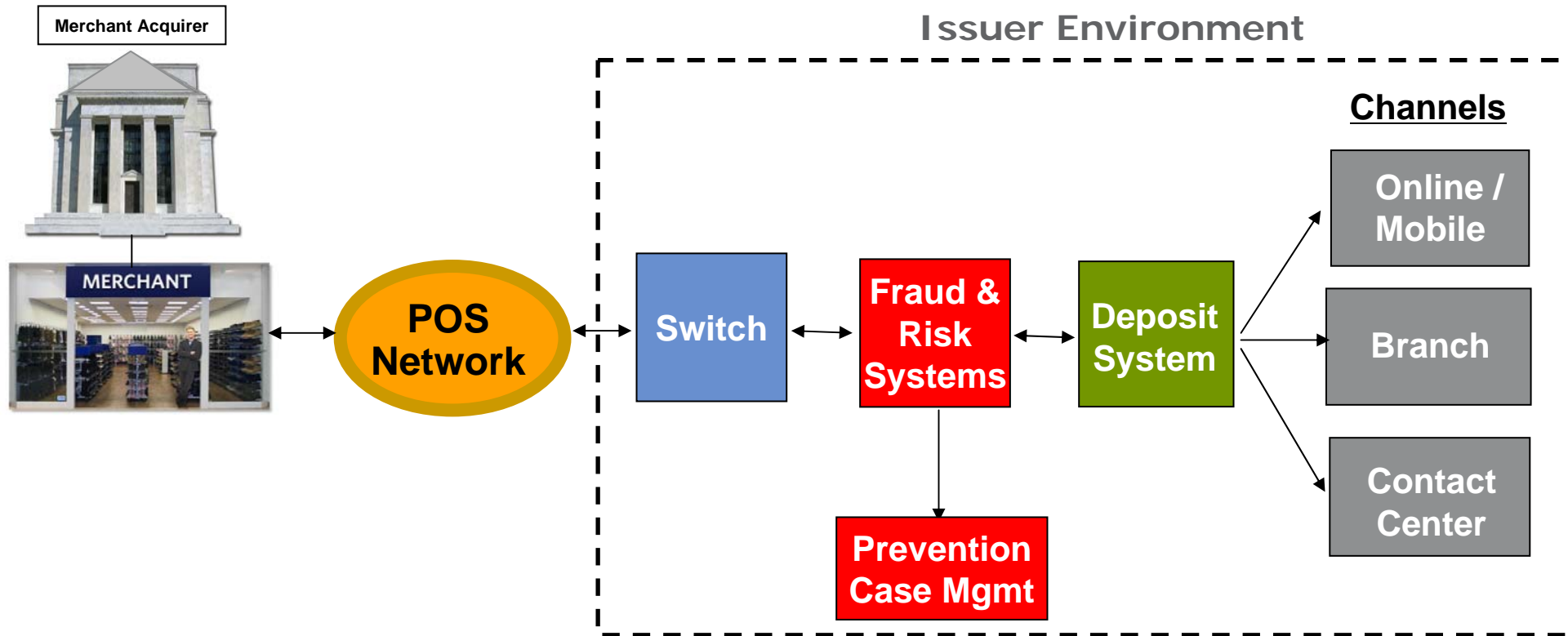
Debit Consumer Small Business Debit



Legacy Wells Fargo Debit Card Average Transactions per Active DDA, March 2010



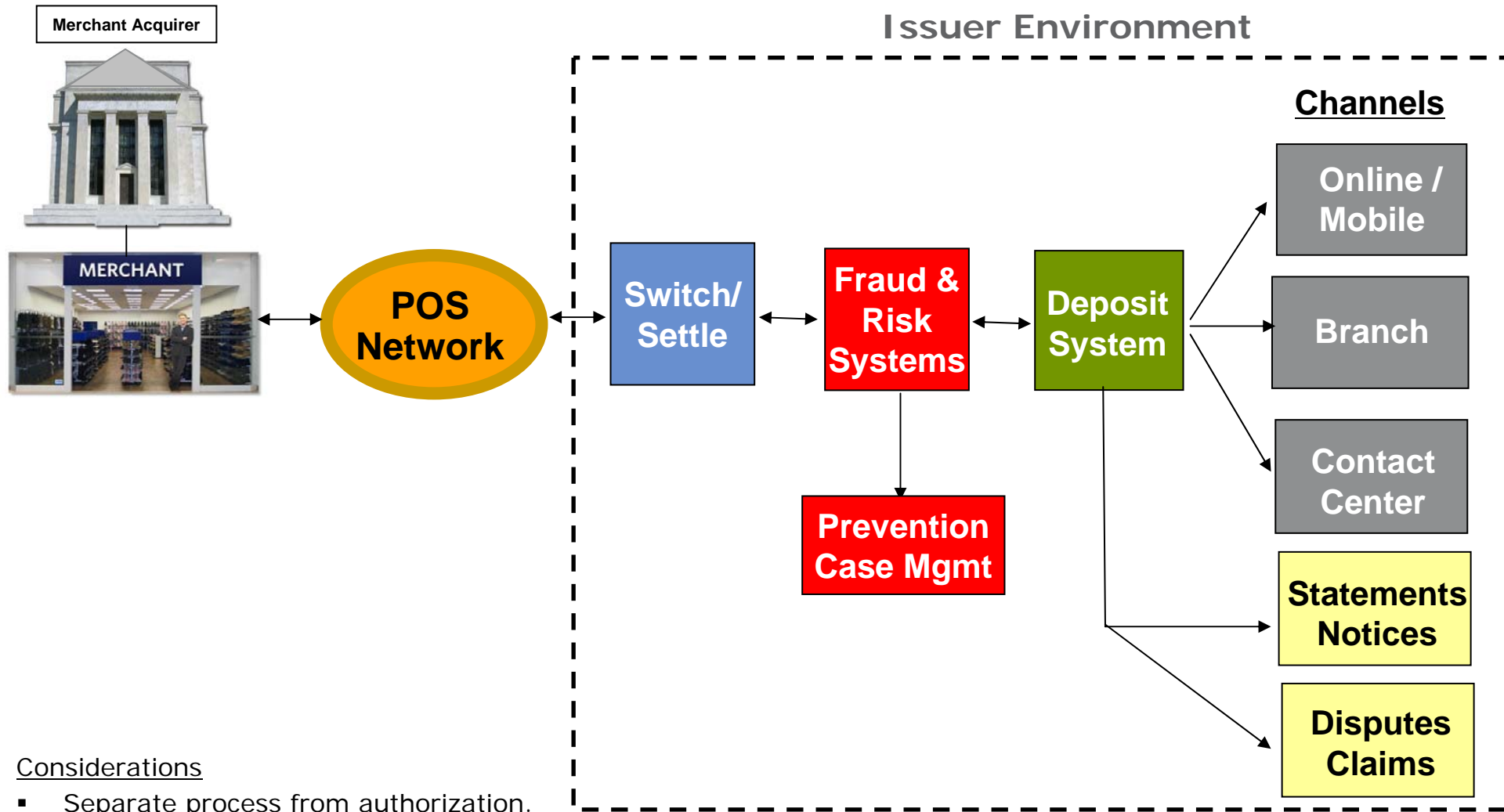
POS Authorization Flow



Considerations

- Authorization cost is a function of process and transaction amount.
- Transaction flow occurs whether the transaction is approved or declined.
- Signature (two message) vs. PIN (single message).
- Fraud and risk systems may take different actions depending on transaction/merchant type.
- If the transaction is approved, additional information will be provided to the channels (e.g. pending transactions). Authorization requests generate customer inquiries (whether approved or declined).
- Once a transaction is authorized, the issuer has a payment obligation to the network / merchant acquirer.
- The authorization request may be different than the amount of the settled transaction.
- Customer funds availability at account settlement time may be different than at time of authorization.

POS Clearing and Settlement Flow



Considerations

- Separate process from authorization.
- Signature (dual message) vs. PIN (single message)
- Settled items can also generate customer inquiries in the channels (different inquiries than authorization)
- Funds availability risk depending on gap in time between the authorization and the settled item.
- Disputes, claims, and chargebacks are additive costs to standard settlement and clearing process

General Topics

- Treatment of Business Accounts and Business Debit Cards
- Network Exclusivity and Transaction Routing
 - Customer choice and disclosures
- Discounts
- General Purpose Reloadable Prepaid Cards
- The Fed Survey

Thank You