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U.S. SECURITIES

COMMISSION  
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<b>FACING PAGE</b>		
<b>Annual Audited Report Form X-17A-5—Part III</b>	<b>Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder</b>	<b>SEC File No. 8-16600</b>

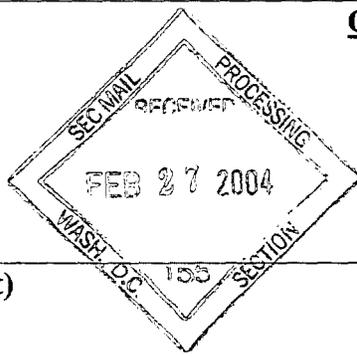
**REPORT FOR THE PERIOD BEGINNING** January 1, 2003 **AND ENDING** December 31, 2003  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

**Name of Broker-Dealer:**  
Wells Fargo Institutional Securities, LLC

**Official Use Only**

**Address of Principal Place of Business:**  
(Do not use P.O. Box No.)



Firm ID No.

608 Second Avenue South, 9<sup>th</sup> Floor  
(No. and Street)

Minneapolis Minnesota 55479  
(City) (State) (Zip Code)

**Name and Telephone Number of Person to Contact in Regard to This Report**

Joan C. Niedfeldt  
612-667-5962  
(Area Code—Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

**INDEPENDENT PUBLIC ACCOUNTANT** whose opinion is contained in this Report\*

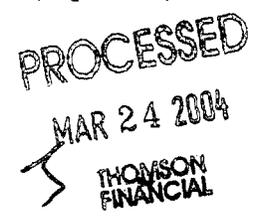
KPMG

(Name—if individual, state last, first, middle name)

4200 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402  
(Address) City State (Zip Code)

**Check One:**

- Certified Public Accountant
- Public Accountant
- Accountant not resident in U.S. or any of its possessions.



**For Official Use Only**

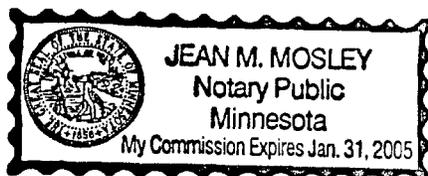
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2).

SEC 1410 (3.91)

## OATH OR AFFIRMATION

I, Joan C. Niedfeldt, swear (or affirm) that to the best of my knowledge and belief the accompanying financial statement pertaining to the firm of Wells Fargo Institutional Securities, LLC as of December 31, 2003 is true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

None



*Joan C. Niedfeldt*

*Jean M. Mosley*  
Notary Public

This report\*\* contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see Section 240.17a5(e)(3).

**WELLS FARGO INSTITUTIONAL SECURITIES, LLC**

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KPMG LLP  
4200 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, MN 55402

## Independent Auditors' Report

The Board of Governors and Member  
Wells Fargo Institutional Securities, LLC:

We have audited the accompanying statement of financial condition of Wells Fargo Institutional Securities, LLC, a wholly owned subsidiary of Wells Fargo Institutional Funding, LLC whose ultimate parent is Wells Fargo & Company, as of December 31, 2003, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit of a statement of financial condition includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition presents fairly, in all material respects, the financial position of Wells Fargo Institutional Securities, LLC as of December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

*KPMG LLP*

February 20, 2004



KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

Minneapolis Office  
Celebrating  
**100** years  
1904-2004

**WELLS FARGO INSTITUTIONAL SECURITIES, LLC**

**Statement of Financial Condition**

December 31, 2003

(In thousands)

<b>Assets</b>	
Cash	\$ 31
Securities owned, at market value, including \$275,221 of securities pledged (notes 4 and 5)	428,761
Securities purchased under agreements to resell (note 5)	327,506
Due from affiliates (note 6)	2,587
Accrued interest receivable	2,034
Other assets	87
Total assets	<u>\$ 761,006</u>
<b>Liabilities and Member's Equity</b>	
<b>Liabilities:</b>	
Short-term borrowings from affiliates (note 6)	\$ 2,500
Payable to:	
Brokers, dealers and clearing organizations (note 3)	122,119
Securities sold, not yet purchased, at market value (note 4)	159,025
Securities sold under agreements to repurchase (note 5)	429,137
Other liabilities and accrued expenses	1,893
Total liabilities	<u>714,674</u>
Commitments and contingencies (note 7)	
Member's equity	<u>46,332</u>
Total liabilities and member's equity	<u>\$ 761,006</u>

See accompanying notes to statement of financial condition.

# WELLS FARGO INSTITUTIONAL SECURITIES, LLC

## Notes to Statement of Financial Condition

December 31, 2003

### (1) Organization and Nature of Operations

Wells Fargo Institutional Securities, LLC (WFIS) is a wholly owned subsidiary of Wells Fargo Institutional Funding, LLC (WFIF) whose ultimate parent is Wells Fargo & Company (WFC). WFIS' primary activities are securities brokerage and related investment services that include institutional brokerage of securities, trading and underwriting. WFIS is registered with the Securities and Exchange Commission (the SEC) as a broker/dealer and has branch offices located in the western United States. WFIS clears all transactions on a fully disclosed basis through Wells Fargo Brokerage Services, LLC (WFBS), an affiliated broker/dealer.

### (2) Summary of Significant Accounting Policies

#### (a) *Securities Transactions*

Securities owned and securities sold, not yet purchased are recorded at quoted market values.

#### (b) *Fair Value of Financial Instruments*

Substantially all of WFIS' financial assets and liabilities are carried at market value or at amounts, which, because of their short-term nature, approximate current fair value.

#### (c) *Securities Under Agreement to Resell and Repurchase*

Resale and repurchase agreements are carried at contract amounts reflective of the amounts at which the securities will be subsequently reacquired or resold, plus accrued interest.

#### (d) *Income Taxes*

WFIS and WFIF, the sole member of WFIS, are both disregarded as entities separate from WFIF's owner; their operations are included in the federal and state income tax returns of Wells Fargo Credit, Inc., WFIF's sole member.

#### (e) *Use of Estimates*

The preparation of the statement of financial condition in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial condition. Actual results could differ from such estimates.

**WELLS FARGO INSTITUTIONAL SECURITIES, LLC**

Notes to Statement of Financial Condition

December 31, 2003

**(3) Payable to Brokers, Dealers and Clearing Organizations**

Amounts payable to brokers, dealers and clearing organizations consist of \$122,119,000 due to affiliated clearing broker (WFBS), of which \$101,298,000 was related to unsettled trades.

**(4) Securities Owned and Securities Sold, Not Yet Purchased**

Securities owned and securities sold, not yet purchased consist of trading securities at market values as follows (in thousands):

	<u>Owned</u>	<u>Sold, not yet purchased</u>
U.S. Government and government agency obligations	\$ 339,477	145,155
Commercial paper and certificates of deposit	99	—
State and municipal obligations	4,452	57
Corporate bonds, debentures and notes	84,733	13,813
	<u>\$ 428,761</u>	<u>159,025</u>

Securities sold, not yet purchased represent obligations of WFIS to deliver the specified security at the contracted price, and thereby create a liability to purchase the security in the market at prevailing prices. Accordingly, these transactions result in off-balance-sheet risk, as WFIS' ultimate obligation to satisfy the sale of securities sold, not yet purchased may exceed the amount recognized in the statement of financial condition.

**(5) Securities Sold Under Agreements to Resell and Repurchase**

Resale and repurchase agreements are collateralized primarily with U.S. Government or U.S. Government agency securities. Such agreements provide WFIS with the right to maintain the relationship between the market value of the collateral and the receivable or payable. WFIS generally takes physical possession of the collateral underlying resale agreements.

WFIS' risk with regard to resale agreements is the failure of the counterparty to the transaction to perform its obligation under the transaction and the balance of the receivable exceeds the market value of the underlying collateral. WFIS' risk with regard to repurchase agreements is the failure of the counterparty to the transaction to perform its obligation under the transaction and the market value of the underlying collateral exceeds the balance of the corresponding payable.

At December 31, 2003, the market value of collateral held for resale agreements and the market value of securities pledged for repurchase agreements approximated the amounts due.

At December 31, 2003, WFIS has received collateral under resale agreements that it is permitted by contract or custom to sell or repledge of \$329,867,000. Of this amount, \$154,884,000 has been repledged. At December 31, 2003, WFIS has pledged collateral of \$430,105,000 under repurchase agreements that counterparties are permitted by contract or custom to sell or repledge. This amount, less that repledged under resale agreements, is included in securities owned on the statement of financial condition.

## WELLS FARGO INSTITUTIONAL SECURITIES, LLC

### Notes to Statement of Financial Condition

December 31, 2003

#### (6) Related Party Transactions

In the ordinary course of business, WFIS enters into material transactions with other affiliates of WFC.

Short-term borrowings from affiliates represent borrowings from Wells Fargo Bank, N.A. (the Bank) and WFC, which are primarily used to finance WFIS' trading activities. Short-term borrowings from the Bank are collateralized by trading securities and short-term borrowings from WFC are unsecured. WFIS pays interest on these borrowings at interest rates approximating commercial lending rates.

#### (7) Commitments and Contingencies

In the normal course of business, there are various lawsuits, claims, and contingencies pending against WFIS which, in the opinion of management, will be resolved with no material impact on WFIS' financial position.

#### (8) Net Capital Requirements

WFIS is subject to the Uniform Net Capital Rule 15c3-1 (the Rule) under the Securities Exchange Act of 1934. WFIS has elected to compute net capital under the alternative provisions of the Rule, which require WFIS to maintain net capital, as defined, of \$250,000. At December 31, 2003, WFIS' net capital was \$35,533,000, which exceeded the minimum net capital requirement of \$250,000 by \$35,283,000.

WFIS is exempt from provisions of SEC Rule 15c3-3, *Customer Protection: Reserves and Custody of Securities*. Accordingly, the Computation for Determination of Reserve Requirements and Information Relating to Possession and Control Requirements is not required.

#### (9) Employee Benefits

WFIS participates in WFC's noncontributory qualified defined benefit retirement plans that cover substantially all employees. The actuarial present values of accumulated plan benefits and net assets available for benefits relating to only WFIS' employees are not available.

WFIS' employees are eligible for benefits under WFC's 401(k) Plan. Under the 401(k) Plan, each eligible employee may contribute up to 25% of their pretax certified compensation, although certain employees who are considered "highly compensated" under the Internal Revenue Code may be subject to certain limitations. Eligible employees who complete one year of service are eligible for matching company contributions, which are generally a dollar for dollar match up to 6% of an employee's certified compensation. The matching contributions are invested in WFC's common stock and are generally subject to a four-year vesting schedule.

#### (10) Financial Instruments with Off-Balance-Sheet Risk

WFIS clears all transactions for its customers on a fully disclosed basis with an affiliated clearing broker that carries all customer accounts and maintains related records. Nonetheless, WFIS is liable to the clearing firm for the transactions of its customers. These activities may expose WFIS to off-balance-sheet risk in the event a counterparty is unable to fulfill its contractual obligations.

## WELLS FARGO INSTITUTIONAL SECURITIES, LLC

### Notes to Statement of Financial Condition

December 31, 2003

Customers are required to complete their transactions on the settlement date, generally three business days after the trade date. WFIS is, therefore, exposed to risk of loss on these transactions in the event of the customer's or broker's inability to meet the terms of their contracts, in which case WFIS may have to purchase or sell financial instruments at prevailing market prices. The impact of unsettled transactions is not expected to have a material effect upon WFIS' statement of financial condition.

In the normal course of business, WFIS enters into underwriting commitments. Transactions relating to such underwriting commitments, that were open at December 31, 2003, have subsequently settled and had no material effect on WFIS' statement of financial condition for the year ended December 31, 2003.

As a broker/dealer in securities, substantial portions of WFIS' transactions are collateralized. WFIS' exposure to credit risk associated with the nonperformance in fulfilling contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets that may impair customers' or counterparties' ability to satisfy their obligations to WFIS. WFIS does not believe it has any significant concentrations of credit risk.

WFIS also buys and sells collateralized mortgage obligations. The settlement dates for these transactions may be longer than other transactions, occasionally up to 90 days. Due to this longer settlement period, the risk that WFIS may incur losses if customers do not fulfill their contractual obligations is greater. WFIS has established procedures to reduce this risk and believes it is unlikely there will be a material impact on the financial statements.