

September 28, 2016

Steven Sanger
Lead Independent Director
Wells Fargo & Company
420 Montgomery Street
San Francisco, CA 94104

Dear Mr. Sanger:

I am writing regarding yesterday's announcement on compensation for Wells Fargo Chairman and CEO John Stumpf and former head of Community Banking Carrie Tolstedt.

As you know, Wells Fargo recently settled with the Consumer Financial Protection Bureau and other regulators for almost \$200 million after the bank admitted to widespread abuses involving the creation of fake consumer bank and credit card accounts.¹ In response, according to yesterday's announcement, the Independent Directors of the Board will be opening an investigation "into the Company's retail banking sales practices and related matters."² In addition, according to your release, Mr. Stumpf has agreed to forfeit \$41 million in unvested equity awards, will forgo his salary during the investigation, and will not receive a bonus for 2016.³ Ms. Tolstedt will forfeit unvested equity awards, will not receive a bonus for 2016, and "will not be paid severance or receive any retirement enhancements in connection with her separation from the Company."⁴

These are important first steps by the Independent Directors, but I do not believe these actions are adequate. Mr. Stumpf's stock holdings increased in value by an estimated \$200 million during the years that the bank was defrauding its customers; Ms. Tolstedt's stock holdings and compensation are worth \$125 million.⁵ The reduced compensation represent only a fraction of the total pay and bonuses received by Mr. Stumpf and Ms. Tolstedt during the years

¹ Consumer Financial Protection Bureau, *Consumer Financial Protection Bureau Fines Wells Fargo \$100 Million for Widespread Illegal Practices Secretly Opening Unauthorized Accounts* (Sep. 8, 2016) (<http://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-fines-wells-fargo-100-million-widespread-illegal-practice-secretly-opening-unauthorized-accounts/>).

² Wells Fargo, *Independent Directors of Wells Fargo Conducting Investigation of Retail Banking Sales Practices and Related Matters* (Sep. 27, 2016) (https://www.wellsfargo.com/about/press/2016/independent-directors-investigation_0927.content).

³ *Id.*

⁴ *Id.*


⁵ Wells Fargo, Response to Questions from Sen. Warren, Brown, Reed, Menendez, and Merkley (Sep. 19, 2016).

that their compensation was based in part on inflated retail account growth and cross-selling success. Moreover, these piecemeal measures do not represent a true clawback in the sense that they do not recoup earlier compensation or vested stock awards. Instead, they merely disqualify these senior executives from this year's future bonus – which may well be nominal, given the company's poor stock performance to date in 2016 – and unvested equity awards.

I appreciate your statement that “Based on the results of the investigation, the Independent Members of the Board will take such other actions as they collectively deem appropriate, which may include further compensation actions,”⁶ because additional action is needed. Wells employees who failed to meet management's outrageous sales goals were fired.⁷ Wells employees who tried to raise the alarm about the creation of fake accounts were fired.⁸ Their lives were turned upside down. If senior executives like John Stumpf and Carrie Tolstedt were responsible for the sales goals, incentives, and firm culture that led to this massive scam, then forfeiting a fraction of their future compensation does not remotely approach real accountability.

I will be carefully watching the findings of the Independent Directors' investigation and the Board's subsequent actions in response to these findings, and I ask that you brief my staff on the methodology and progress of this investigation no later than October 12, 2016.

Sincerely,



Elizabeth Warren
United States Senator

⁶ Wells Fargo, *Independent Directors of Wells Fargo Conducting Investigation of Retail Banking Sales Practices and Related Matters* (Sep. 27, 2016) (https://www.wellsfargo.com/about/press/2016/independent-directors-investigation_0927.content).

⁷ Camilia Domonoske, *Ex-Wells Fargo Employees Sue, Allege They Were Punished for Not Breaking the Law* (Sept. 26, 2016) (<http://www.npr.org/sections/thetwo-way/2016/09/26/495454165/ex-wells-fargo-employees-sue-allege-they-were-punished-for-not-breaking-law>).

⁸ Matt Egan, *I called the Wells Fargo ethics line and was fired*, CNN Money, (Sept. 21, 2016) (<http://money.cnn.com/2016/09/21/investing/wells-fargo-fired-workers-retaliation-fake-accounts/>); Stacy Cowley, *Wells Fargo Workers Claim Retaliation for Playing By the Rules* New York Times (Sept. 26, 2016) (http://www.nytimes.com/2016/09/27/business/dealbook/wells-fargo-workers-claim-retaliation-for-playing-by-the-rules.html?ref=business&_r=0).