

United States Senate

WASHINGTON, DC 20510

February 1, 2017

Mr. Timothy Sloan
Chief Executive Officer
Wells Fargo & Company
420 Montgomery Street
San Francisco, CA 94104

Dear Mr. Sloan:

The *Wall Street Journal* reported last week that multiple current and former Wells Fargo employees indicated that the bank provided advance notice to retail branches prior to internal compliance inspections, a practice not shared by Wells Fargo's peers.¹ In interviews with more than a dozen bank employees, the article reports that branches took advantage of that notice in order to hide the fraudulent practices for which the bank was fined in September 2016 by forging or shredding documents.² We are extremely concerned by these latest allegations.

As you know, the Consumer Financial Protection Bureau (CFPB), the Office of the Comptroller of the Currency (OCC), and the Los Angeles City Attorney fined Wells Fargo Bank, N.A. a total of \$185 million for, among other violations, illegally opening deposit and credit accounts for customers who neither knew nor consented to have such accounts opened.³ Wells Fargo employees opened approximately 1.5 million deposit accounts and 565,000 credit card accounts that were not authorized by customers.⁴ In addition, the OCC ordered the bank to pay a \$20 million penalty for violations of the Servicemembers Civil Relief Act on September 29, 2016.⁵

These latest allegations by Wells Fargo employees raise yet another red flag indicating that top management and the board of directors of Wells Fargo knew or should have known about the extensive fraud occurring throughout the bank. In addition, allegations that managers required branch employees to work extra hours or unpaid hours call into question the bank's labor and employment practices. While the bank claims to have strengthened checks and internal controls, until last Tuesday, the bank's "Branch Control Review" still provided 24-hour notice to branch managers of internal reviews raising the possibility that recent illegal or inappropriate activity could have been concealed.⁶

¹ <http://www.wsj.com/articles/at-wells-fargo-bank-branches-were-tipped-off-to-inspections-1485253800>

² *Id.*

³ <http://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-fines-wells-fargo-100-million-widespread-illegal-practice-secretly-opening-unauthorized-accounts/>; <https://www.occ.gov/news-issuances/news-releases/2016/nr-occ-2016-106.html>; <http://www.lacityattorney.org/single-post/2016/09/08/Los-Angeles-City-Attorney-Mike-Feuer-Achieves-Historic-Result-in-Consumer-Action-Against-Wells-Fargo-Bank-to-Make-Restitution-to-Customers-Pay-50-million-in-Penalties-Unprecedented-Coordination-with-Federal-Regulators-to-Benefit-Consumers-Nationwide>.

⁴ <http://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-fines-wells-fargo-100-million-widespread-illegal-practice-secretly-opening-unauthorized-accounts/>

⁵ <https://www.occ.gov/news-issuances/news-releases/2016/nr-occ-2016-119.html>

⁶ <http://www.wsj.com/articles/at-wells-fargo-bank-branches-were-tipped-off-to-inspections-1485253800>

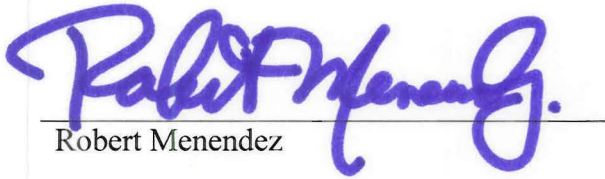
We are troubled by the possibility that Wells Fargo's retail bank branch managers engaged in activities that made it easier to conceal fraudulent practices that hurt both customers and employees. We are also concerned that Wells Fargo's internal review system was allowed to operate with serious flaws for years, remains flawed, and lacks appropriate controls to prevent future harm to the bank's customers. It is also not clear precisely when senior management or the board became aware of these issues.

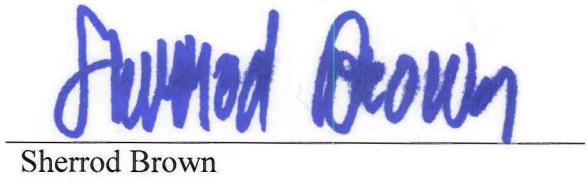
Given these concerns, we ask that you please provide responses to the following questions no later than February 17, 2017.

- (1) Is it true that retail branch managers, either on their own accord or at the direction of retail bank executives, directed or encouraged employees at retail branches to take advantage of the 24-hour advance notice provided by Wells Fargo officers to conceal fraudulent practices? Why did Wells Fargo provide branches with advance notice of reviews when, according to the article, its peers do not?
- (2) Did retail branch managers, either on their own accord or at the direction of retail bank executives, direct or encourage employees to stay late or overnight in excess of their work schedules? If so, were employees appropriately compensated for any additional hours worked?
- (3) Have you identified any retail branch managers who utilized the advance notice to hide evidence of illegal or inappropriate conduct? Have you identified any retail bank personnel above the level of branch manager that was aware of, or utilized, advance notice to hide evidence of illegal or inappropriate conduct? If so, how many have you identified, and how have they been held accountable?
- (4) Have you investigated, or will you commit to investigating, the aforementioned allegations that branch employees concealed fraudulent practices?
- (5) Has the bank provided to the board of directors any information, complaints, or noteworthy risk reports regarding allegations that branches took advantage of the 24-hour advance notice policy to hide misconduct? If so, would you please share these materials?
- (6) Has the bank provided to the Audit and Examination Committee, or any other committee of the board, any information, complaints, or risk reports regarding allegations that branches took advantage of the 24-hour advance notice policy to hide misconduct? If so, would you please share these materials?
- (7) The September 2016 orders between the OCC and CFPB and Wells require the bank to hire an independent consultant to conduct reviews and draft findings and recommendations. To the bank's knowledge, are either of the independent consultants looking into these allegations? If so, please provide a timeline of when they began looking into these allegations, including the allegations that branch employees concealed fraudulent practices? If not, why not?

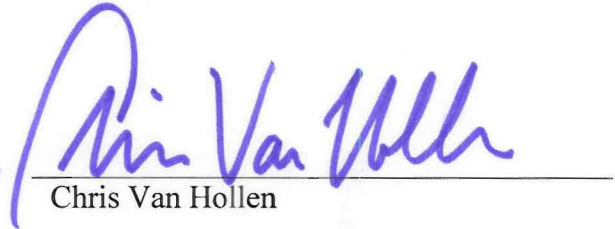
- (8) The September 2016 order between the OCC and Wells Fargo requires the board of directors to appoint and maintain a Compliance Committee that is responsible for monitoring and overseeing the bank's compliance with the order. When did members of the Compliance Committee become aware of the allegations in this article? Have they met to discuss them? If so, please describe the recommendations and instructions that were discussed at the Compliance Committee meeting(s), regardless of whether adopted. Please also produce a copy of the meeting minutes. If not, why not?
- (9) Please describe in detail Wells Fargo's current internal review and inspection process for retail bank branches, including any notice provided to managers of an upcoming review. When were the most recent changes to the internal review and inspection process made and why? Do you intend to make any other changes to these practices?
- (10) Please describe in detail Wells Fargo's "Branch Control Review" system. When were the most recent changes to the "Branch Control Review" made and why?
- (11) Have you evaluated whether any potential issues existed with the bank's "Quality of Sales Report Card," which comprised the other component of the branches' risk scores? If so, what did you determine? If not, why not?
- (12) Please identify each employee, by title and job responsibility, who devised and implemented the 24-hour advance notice policy. In your response, please identify in as much detail as possible how advance notice was provided to branch employees.
- (13) When did the head of the retail bank, Carrie Tolstedt, become aware of these practices, and was she in any way responsible for establishing or condoning these practices? What steps, if any, did she take to address them, including notifying you, other senior executives, or the Wells board?
- (14) It appears that the information necessary to properly and effectively manage Wells Fargo may not be making its way promptly and accurately to Wells Fargo's executive team or its Board of Directors, especially with respect to the community banking division at Wells Fargo. What specific steps will you take to ensure that material information will be conveyed promptly and accurately to management and the Board of Directors? As a member of the Board of Directors, will you scrutinize the information that is presented to you in greater detail given that the information conveyed to management and the Board may not have been accurately and or promptly provided?
- (15) You are a 29-year veteran of Wells Fargo, serving as Chief Administrative Officer in 2010, and Chief Operating Officer from November 2015. At any point were you aware of practices that provided prior notice to retail branches before internal reviews? If so, were you or any other senior management aware that bank employees at retail branches were destroying or concealing evidence that the bank had opened accounts for customers without their knowledge or consent? When did you learn about these practices? Why didn't you cease these practices as soon as you learned about them?

Sincerely,

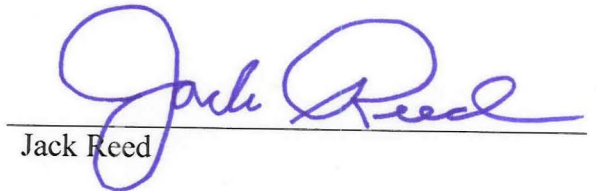

Robert Menendez


Sherrod Brown


Elizabeth Warren


Chris Van Hollen


Catherine Cortez Masto


Jack Reed

Cc: Board of Directors