

United States Senate

WASHINGTON, DC 20510

October 20, 2016

Steven Sanger
Chairman, Wells Fargo Board
Wells Fargo & Company
420 Montgomery St.
San Francisco, CA 94104

Dear Mr. Sanger:

We are writing regarding last week's announcement of the immediate retirement of John Stumpf as Chairman and CEO in the wake of Wells Fargo's admission of widespread abuses involving the creation of fake consumer bank and credit card accounts and its settlement of nearly \$200 million with the Consumer Financial Protection Bureau and other agencies.¹

Given the scope of wrongdoing on his watch, Mr. Stumpf's resignation is entirely appropriate. But a resignation alone is not enough to assure proper accountability at Wells Fargo. Instead, it raises additional questions.

First, what will happen with Mr. Stumpf's compensation dating from the time when wrongdoing at Wells Fargo was first reported? Last month, you announced that Mr. Stumpf had agreed to forfeit \$41 million in unvested equity awards and that he would not receive a salary during the ongoing board investigation or a bonus for 2016.² But as we noted at the time, the reduced compensation represents only a fraction of the total pay and bonuses Mr. Stumpf received during the years that his compensation was based in part on inflated retail account growth and cross-selling success.³

¹ James Rufus Koren, "Wells Fargo CEO retires amid accounts scandal and is replaced by a longtime company insider," *Los Angeles Times* (October 12, 2016) (online at <http://www.latimes.com/business/la-fi-wells-fargo-stumpf-resigns-20161012-snap-story.html>); 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 Stacy Cowley, "Wells Fargo to Claw Back \$41 Million of Chief's Pay Over Scandal," *New York Times* (September 27, 2016) (online at <http://www.nytimes.com/2016/09/28/business/dealbook/wells-fargo-john-stumpf-compensation.html>).

³ Letter from Senator Elizabeth Warren to Steven Sanger, Lead Independent Director, Wells Fargo & Co. (September 28, 2016) (online at http://www.warren.senate.gov/files/documents/2016-9-28_Wells_Fargo_Comp_Letter_OCR.pdf).

Last week's announcement did not answer our questions. According to a Wells Fargo representative, Mr. Stumpf will not receive a severance payment as part of his retirement; however, *Forbes* magazine reported that "[a]ccording to a March 2016 proxy statement, Stumpf is entitled to a \$24 million 'supplemental cash balance plan,'" the proceeds of which "are not paid until six months after retirement."⁴ It is unclear whether Stumpf will receive this \$24 million payment or any other retirement benefits. Regardless, Mr. Stumpf will walk away from Wells Fargo with \$133.1 million, made up of Wells Fargo shares, deferred compensation, and a pension account.⁵ Wells Fargo proxy filings indicate that if Mr. Stumpf stays on the Wells Fargo payroll as a "consultant," he could receive benefits — including a personal driver — worth \$200,000 over the next two years.⁶ Furthermore, the announcement does not indicate whether and how the Board will seek to claw back any of the salary paid to Mr. Stumpf or the increase in value of his stock holdings — an estimated \$200 million during the years that the bank was actively defrauding its customers.⁷

It is also unclear if the Board has properly addressed the question of whether Tim Sloan, the newly announced Chief Executive Officer, knew about or played any role in the scandal. As your press release notes, Mr. Sloan has been serving with Wells Fargo for 29 years, has been the company's President and Chief Operating Officer for almost a year, and "knows Wells Fargo's operations deeply."⁸ Carrie Tolstedt, the former head of retail banking at Wells Fargo, reported directly to Mr. Sloan beginning in November 2015.⁹ And last week, Mr. Sloan admitted that he was aware of the reports of fraudulent activity by bank staff as early as 2013.¹⁰ It is difficult to believe that he had no knowledge of or bears no responsibility for the actions of thousands of Wells Fargo employees creating fake accounts under his and other top executives' watch.

In light of these ongoing concerns, we continue to have questions about who is being held accountable at Wells Fargo. If Mr. Stumpf is allowed to walk away with tens of millions of dollars in compensation that he received while bank employees were engaging in widespread fraudulent activity, then he has profited from the bank's fraud. And if Mr. Stumpf is simply replaced by another top company executive who was aware of, but did nothing to prevent the widespread fraud that harmed hundreds of thousands of Wells Fargo customers and shareholders, then the bank is turning its back on accountability.

⁴ Maggie McGrath, "Wells Fargo's John Stumpf Out As CEO Immediately, And Getting No Severance Pay," *Forbes* (October 12, 2016) (online at <http://www.forbes.com/sites/maggiemcgrath/2016/10/12/embattled-wells-fargo-ceo-john-stumpf-is-retiring-effective-immediately/#1ad0728a46c4>).

⁵ Lucinda Shen, "Here's How Much Wells Fargo CEO John Stumpf Is Getting to Leave the Bank," *Fortune* (October 13, 2016) (online at <http://fortune.com/2016/10/13/wells-fargo-ceo-john-stumpfs-career-ends-with-133-million-payday/>).

⁶ *Id.*

⁷ Wells Fargo, Response to Questions from Sen. Warren, Brown, Reed, Menendez, and Merkley (Sep. 19, 2016).

⁸ Wells Fargo, Press Release, *Wells Fargo Chairman, CEO John Stumpf Retires; Board of Directors Elects Tim Sloan CEO, Director; Appoints Lead Director Stephen Sanger Chairman, Director Elizabeth Duke Vice Chair* (Oct. 12, 2016).

⁹ CNBC News Release, *CNBC Exclusive: CNBC Transcript: New Wells Fargo CEO Tim Sloan Speaks with CNBC's Wilfred Frost on "Fast Money" Tonight* (October 12, 2016) (<http://www.cnbc.com/2016/10/12/cnbc-exclusive-cnbc-transcript-new-wells-fargo-ceo-tim-sloan-speaks-with-cnbc-wilfred-frost-on-fast-money-tonight.html>)

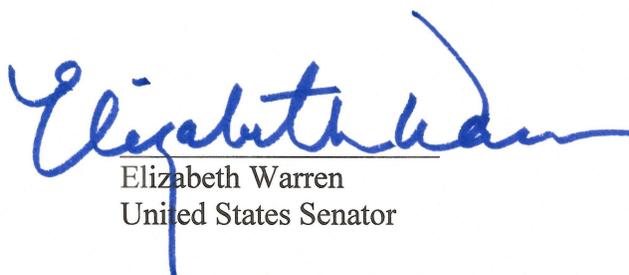
¹⁰ *Id.*

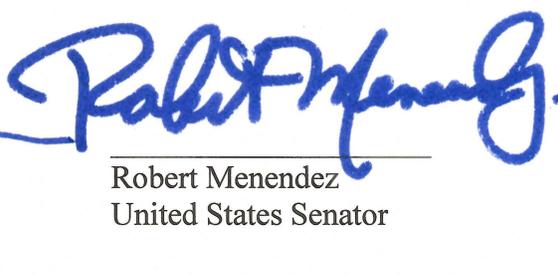
We therefore ask that you provide us with answers to the following questions:

1. Did the Wells Fargo Board of Directors make any agreements with Mr. Stumpf related to his retirement and his compensation?
2. Will Mr. Stumpf be receiving the \$24 million "supplemental cash balance plan" as a retirement benefit? Will he receive any other retirement benefits?
3. Does he remain eligible for any additional compensation related to his service at Wells Fargo?
4. Does Mr. Stumpf's decision to retire have any impact on the Board's ability to claw back any of his previous compensation?
5. Will Mr. Stumpf serve as a "consultant" or in any other capacity for Wells Fargo or the Board?
6. How did the Board conduct its search for a successor to Mr. Stumpf? Did the Board consider applicants other than Mr. Sloan, and if so, how did the Board identify those applicants?
7. Did the Board ask Mr. Sloan about his knowledge of the false account scandal prior to elevating him to CEO?
8. Did the board ask Mr. Sloan if he took any action in response to the false account scandal?
9. What information did Mr. Sloan provide to the Board in response to these queries?
10. Did the Board conduct an independent investigation of whether Mr. Sloan knew about or took appropriate action to prevent this scandal?
11. What were the findings of this investigation?

We ask that you provide written answers to these questions no later than October 27, 2016, and that you provide our staff with a briefing on these issues no later than November 3, 2016.

Sincerely,


Elizabeth Warren
United States Senator


Robert Menendez
United States Senator