



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

JEROME H. POWELL
CHAIRMAN

April 3, 2019

The Honorable Elizabeth Warren
United States Senate
Washington, D.C. 20510

Dear Senator:

Thank you for your letters, dated February 22, and March 22, 2019, concerning the Consent Order (the Order) issued by the Federal Reserve against Wells Fargo & Company (Wells Fargo) on February 2, 2018.

As I have recently noted, Wells Fargo's prioritization of growth without effective risk management resulted in widespread abusive practices that significantly harmed its customers. As indicated in your recent letters, incidents of other breakdowns in compliance risk management at the firm have continued to be reported after the firm's initial sales practice misconduct was disclosed.

To address these pervasive failures, the Federal Reserve imposed a formal, public enforcement order that prohibited Wells Fargo's asset growth until the firm put in place acceptable plans to remediate these deficiencies. The Order requires the firm's board of directors to take action to improve its oversight of senior management, including actions to ensure senior management effectively manages the firm's activities and risks and promotes strong risk management across the firm. Under the Order, the firm's asset growth is limited until the Federal Reserve determines that the remediation plans are acceptable, have been adopted and implemented, and an independent third party review of the improvements in risk management and oversight is completed.

Your letters request that the Federal Reserve take no action to remove the asset cap until Wells Fargo replaces CEO Tim Sloan. As you know, he announced his retirement on March 28 and Wells Fargo Chair Betsy Duke has said that the board of directors will search externally for a replacement.

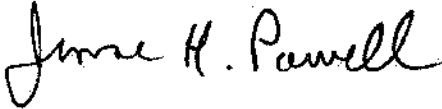
As I have previously stated, we expect Wells Fargo to comprehensively address its weaknesses. Federal Reserve staff will continue to engage with the firm, including its new leadership, to ensure it makes appropriate progress.

The Honorable Elizabeth Warren
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I want to reiterate that we do not intend to lift the asset cap imposed on Wells Fargo until remedies to address the risk management breakdowns that the Order was meant to address have been adopted and implemented to our satisfaction. As you know, the decision about terminating the asset cap will be made by a vote of the Board.

Thank you for your views.

Sincerely,

A handwritten signature in black ink that reads "James H. Powell". The signature is written in a cursive style with a large, prominent initial "J".