

UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY

In the Matter of:)	
)	
John Stumpf)	AA-EC-2019-83
Former Chairman and Chief Executive Officer)	
)	
Wells Fargo Bank, N.A.)	
Sioux Falls, South Dakota)	
)	

CONSENT ORDER

WHEREAS, the Office of the Comptroller of the Currency (“OCC”) intends to initiate prohibition and civil money penalty proceedings against John Stumpf (“Respondent”) pursuant to 12 U.S.C. § 1818(e) and (i) on the basis of Respondent’s activities while serving as Chairman and Chief Executive Officer of Wells Fargo Bank, N.A., Sioux Falls, South Dakota (“Bank”);

WHEREAS, in the interest of cooperation and to avoid the costs associated with future administrative and judicial proceedings with respect to the above matter, Respondent, without admitting or denying any wrongdoing, desires to consent to the issuance of this Consent Order (“Order”) issued pursuant to 12 U.S.C. § 1818(b), (e), and (i);

WHEREAS, previously, in connection with the sales practices misconduct problem,¹ (i) Respondent voluntarily forfeited all of his unvested equity awards, valued at approximately \$41 million, and his 2016 bonus and salary, and (ii) the Bank also caused Respondent to return incentive compensation valued at approximately \$28 million, effectuated in part through the Bank’s non-payment of Respondent’s retirement funds, reflecting a total of approximately \$70 million in equity-related forfeitures, and bonus and salary.

¹ The term “sales practices misconduct” as used herein refers to the practice of Bank employees issuing products and services to customers without the customers’ consent, or transferring customers’ funds from one account to another without consent, or obtaining the customers’ consent by making a false or deceptive statement.

Initials: JS
Date: 01/22/2020

NOW, THEREFORE, it is stipulated by and between the OCC, through the duly authorized representative of the Comptroller of the Currency (“Comptroller”), and Respondent that:

ARTICLE I

JURISDICTION

(1) The Bank is an “insured depository institution” as that term is defined in 12 U.S.C. § 1813(c)(2).

(2) Respondent was a director and officer of the Bank and was an “institution-affiliated party” of the Bank as that term is defined in 12 U.S.C. § 1813(u), having served in such capacity within six (6) years from the date of this Order. *See* 12 U.S.C. § 1818(i)(3).

(3) The Bank is a national banking association within the meaning of 12 U.S.C. § 1813(q)(1)(A), and is chartered and examined by the OCC. *See* 12 U.S.C. § 1 *et seq.*

(4) The OCC is the “appropriate Federal banking agency” as that term is defined in 12 U.S.C. § 1813(q) and is therefore authorized to initiate and maintain these prohibition and civil money penalty actions against Respondent pursuant to 12 U.S.C. § 1818(e) and (i).

ARTICLE II

COMPTROLLER’S FINDINGS

The Comptroller finds, and Respondent neither admits nor denies, the following:

(1) During 2002, Respondent became Executive Vice President and Head of the Community Bank and remained in that role until 2005. As Head of the Community Bank, the retail branch network was one of several lines of business that reported to Respondent.

Respondent served as the President and then Chief Executive Officer from 2005 through October 2016. Respondent served as Chairman of the Bank's Board from at least 2010 to 2016.

(2) From at least 2002 until October 2016, the Community Bank's retail branch network had a systemic sales practices misconduct problem.

(3) The root cause of the systemic sales practices misconduct was the Community Bank's business model which imposed unreasonable sales goals on its employees along with unreasonable pressure to meet these goals. Additionally, the Community Bank's controls were ineffective and were not reasonably designed to detect or prevent the misconduct.

(4) Respondent was or should have been aware of the problem and its root cause. During Respondent's tenure, there was a culture in the Community Bank that resulted in systemic violations of laws and regulations, breaches of fiduciary duties, and unsafe or unsound practices by large numbers of Community Bank employees.

(5) Respondent failed to adequately supervise the Head of the Community Bank with respect to the Community Bank's sales practices, which allowed the Community Bank's systemic sales practices misconduct problem to continue for many years. Respondent failed to sufficiently challenge the business model of the Community Bank during his tenure as Chairman and Chief Executive Officer. Respondent neglected to adequately inform himself about the reasonableness of the sales goals and pressure in the Community Bank, the impact of those goals, and the adequacy of controls to detect and prevent sales practices misconduct.

(6) Respondent failed to respond to numerous warning signs, including many team member complaints submitted directly to his office regarding pervasive sales pressure, fear of termination for not meeting unreasonable sales goals, and illegal and unethical sales activity across the Community Bank.

(7) Respondent was frequently informed by the leaders of the Community Bank, as well as leaders in the Risk, Human Resources, Audit, and Legal functions at the Bank, that the sales practices issues were the result of isolated instances of individual employee misconduct, not systemic conduct at the Community Bank, and that the controls within the Community Bank were effective and reasonably designed to detect or prevent the misconduct. Respondent failed to ascertain that these assurances were inaccurate.

(8) Respondent remained inadequately informed about the reasonableness of sales goals and sales pressure, and the deficient controls. Respondent failed to hold the Head of the Community Bank accountable for the Community Bank's systemic sales practices misconduct problem, even after a 2013 *Los Angeles Times* article reported sales practices issues in nine states, after the City Attorney of Los Angeles filed a lawsuit against the Bank in May 2015, after the OCC issued five Matters Requiring Attention in June 2015, and after outside consultants reviewed sales practices and customer harm at the Bank.

(9) In his sworn testimony before the OCC, Respondent honestly and forthrightly acknowledged, based on the information presented to him during his testimony, that the Community Bank had a systemic sales practices misconduct problem from the early 2000s until October 2016, and that as CEO he ultimately bears responsibility for the Community Bank's systemic problem. In addition to his acknowledgment in testimony before the OCC, Respondent previously took accountability for these failures by voluntarily forfeiting \$41 million in unvested equity awards and his 2016 bonus and salary. In total, Respondent forfeited approximately \$70 million in equity-related forfeitures, and bonus and salary.

(10) By reason of the foregoing conduct, Respondent's oversight failed to prevent the Bank from recklessly engaging in unsafe or unsound practices, and grounds exist for the OCC to initiate these actions pursuant to 12 U.S.C. § 1818(e) and (i).

ARTICLE III

ORDER OF PROHIBITION

Respondent consents to, and it is ORDERED that:

(1) With respect to the institutions and agencies set forth in paragraph (2) of this Article, Respondent hereby agrees that he shall not:

- (a) participate in any manner in the conduct of their affairs;
- (b) solicit, procure, transfer, attempt to transfer, vote, or attempt to vote any proxy, consent, or authorization with respect to any voting rights;
- (c) violate any voting agreement previously approved by the "appropriate Federal banking agency," as defined in 12 U.S.C. § 1813(q); or
- (d) vote for a director, or serve or act as an "institution-affiliated party," as defined in 12 U.S.C. § 1813(u).

(2) The prohibitions in paragraph (1) of this Article apply to the following institutions and agencies:

- (a) any insured depository institution, as defined in 12 U.S.C. § 1813(c);
- (b) any institution treated as an insured bank under 12 U.S.C. § 1818(b)(3), (b)(4) or (b)(5);
- (c) any insured credit union under the Federal Credit Union Act;
- (d) any institution chartered under the Farm Credit Act of 1971;
- (e) any appropriate Federal depository institution regulatory agency; and

(f) the Federal Housing Finance Agency and any Federal Home Loan Bank.

(3) The prohibitions of paragraphs (1) and (2) of this Article shall cease to apply with respect to a particular institution if Respondent obtains the prior written consent of both the OCC and the institution's "appropriate Federal financial institutions regulatory agency," as defined in 12 U.S.C. § 1818(e)(7)(D).

(4) This Order shall be enforceable to the same extent and in the same manner as an effective and outstanding order that has been issued and has become final pursuant to 12 U.S.C. § 1818.

ARTICLE IV

ORDER FOR CIVIL MONEY PENALTY

Respondent consents to, and it is ORDERED that:

(1) Respondent shall pay a civil money penalty in the amount of Seventeen Million and Five Hundred Thousand Dollars (\$17,500,000), which shall be paid in full upon Respondent's execution of this Order.

(2) Respondent shall make payment in full, in accordance with instructions provided by the OCC. The docket number of this case (AA-EC-2019-83) shall be referenced in connection with the submitted payment.

(3) This Order shall be enforceable to the same extent and in the same manner as an effective and outstanding order that has been issued and has become final pursuant to 12 U.S.C. § 1818.

ARTICLE V

CLOSING

(1) Pursuant to 12 U.S.C. § 1818(b), Respondent consents to, and it is ordered that Respondent shall cooperate fully and promptly with the OCC in any investigation, litigation, or administrative proceeding related to the subject matter of this Order, including sales practices misconduct at the Bank.

(2) By executing this Order, Respondent waives:

- (a) the right to a Notice of Intention to Prohibit Further Participation and Notice of Civil Money Penalty Assessment under 12 U.S.C. § 1818(e) and (i);
- (b) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(b), (e), and (i) and 12 C.F.R. Part 19;
- (c) all rights to seek judicial review of this Order;
- (d) all rights in any way to contest the validity of this Order; and
- (e) any and all claims for fees, costs, or expenses against the United States, the OCC, or any officer, employee, or agent of the OCC, related in any way to this enforcement matter or this Order, whether arising under common law or under the terms of any statute, including, but not limited to, the Equal Access to Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412.

(3) Respondent shall not cause, participate in, or authorize the Bank (or any subsidiary or affiliate of the Bank) to incur, directly or indirectly, any expense relative to the negotiation and issuance of this Order except as permitted by 12 C.F.R. § 7.2014 and Part 359. In addition, Respondent shall not, directly or indirectly, obtain or accept any

indemnification (or other reimbursement) from the Bank (or any subsidiary or affiliate of the Bank) with respect to such amounts except as permitted by 12 C.F.R. § 7.2014 and Part 359; provided, however, Respondent may not obtain or accept such indemnification with respect to payment of the civil money penalty.

(4) Respondent acknowledges that he has read and understands the premises and obligations of this Order and declares that no separate promise or inducement of any kind has been made by the OCC or any officer, employee, or agent of the OCC to cause or induce Respondent to agree to consent to the issuance of this Order and/or to execute this Order.

(5) This Order constitutes a settlement of any proceedings arising out of the facts, omissions, or violations described in the Comptroller's Findings (Article II of this Order). The OCC agrees not to institute the proceedings referenced in the first whereas clause of this Order for the specific acts, omissions, or violations described in Article II of this Order unless such acts, omissions, or violations reoccur. However, the specific acts, omissions, or violations described in Article II may be used by the OCC in future enforcement actions to establish a pattern of misconduct or the continuation of a pattern of misconduct.

(6) This Order shall not be construed as an adjudication on the merits and, except as set forth in paragraph (5) above, shall not inhibit, estop, bar, or otherwise prevent the OCC from taking any action affecting Respondent if, at any time, the OCC deems it appropriate to do so to fulfill the responsibilities placed upon the OCC by the several laws of the United States.

(7) Nothing in this Order shall preclude any proceedings brought by the OCC to enforce the terms of this Order, and nothing in this Order constitutes, nor shall Respondent contend that it constitutes, a waiver of any right, power, or authority of any other representatives

of the United States or agencies thereof, including the Department of Justice, to bring other actions deemed appropriate.

(8) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818, and expressly does not form, and may not be construed to form, a contract binding on the United States, the OCC, or any officer, employee, or agent of the OCC. Respondent expressly acknowledges that no officer, employee, or agent of the OCC has statutory or other authority to bind the United States, the United States Treasury Department, the OCC, or any other federal bank regulatory agency or entity, or any officer, employee, or agent of those entities, to a contract affecting the OCC's exercise of its supervisory responsibilities.

(9) This Order is "issued with the consent of . . . the institution-affiliated party concerned," pursuant to 12 U.S.C. § 1818(h)(2).

(10) The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements, or prior arrangements between the parties, whether oral or written.

(11) The provisions of this Order are effective upon issuance by the OCC, through the Comptroller's duly authorized representative, whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the OCC, through the Comptroller's duly authorized representative.

IN TESTIMONY WHEREOF, the undersigned has hereunto set his hand.

/s/ John Stumpf

01/22/2020

John Stumpf

Date

IT IS SO ORDERED.

/s/ Greg Coleman 1/22/20

Gregory J. Coleman
Deputy Comptroller
Large Bank Supervision