

TREASURER CHIANG EXTENDS SANCTIONS WELLS FARGO BANK



On Sept. 28, 2016, Treasurer Chiang sanctioned Wells Fargo Bank after its admission that thousands of its bank employees opened millions of phony accounts in the names of unwitting customers.

The sanctions included:

- Suspension of investments by the Treasurer's Office in Wells Fargo securities.
- Suspension of the use of Wells Fargo as a broker-dealer for purchasing of investments by his office.
- Suspension of Wells Fargo as a managing underwriter on negotiated sales of California state bonds where the Treasurer appoints the underwriter.

These sanctions were imposed for up to one year, at which time they would be reviewed to decide if they would be lifted, modified or extended.

The sanctions aimed to spur Wells Fargo leadership to answer the existential question: Could the 165-year-old bank eradicate the root causes of a widespread and recalcitrant culture of customer abuse and restore public trust?



WELLS FARGO ONE-YEAR REVIEW



- ✓ The chief executive and board chair are no longer combined into one position.
- ✓ Three board members who were at the helm of Wells Fargo during the time periods in which the bogus account scam and other abuses occurred have departed or will be doing so in the near future.
- ✓ The bank claims it has rehired 1,780 employees it wrongly fired.
- ✓ The bank claims it has paid or is scheduled to pay more than \$7 million to aggrieved customers and has also agreed to a more than \$142 million class-action settlement.
- ✓ Bank said it would claw back \$75 million in compensation from former chief executive John Stumpf and former head of community banking Carrie Tolstedt.
- ✗ The number of phony accounts ballooned from an initial 2 million to now 3.5 million.
- ✗ As many as 800,000 consumers were forced by the bank to buy "lender-based" car insurance they did not need, tipping a quarter of a million Wells Fargo customers into delinquency and triggering 25,000 vehicle repossessions.
- ✗ A separate auto insurance fraud scandal broke in which the bank is being accused of failing to make refunds to consumers who paid off their loans early.
- ✗ Wells Fargo agreed to pay \$108 million to settle a lawsuit claiming it overcharged military veterans under a federal mortgage refinancing program.
- ✗ Did not comply with Treasurer's request to provide quarterly reports showing it was in compliance with the terms and conditions of consent orders.
- ✗ 4 Wells Fargo board members who were at the bank when fraudulent business practices occurred are still in place.
- ✗ Did not provide the Treasurer with requested information about the number of California consumers actually harmed.
- ✗ Did not permit victims to have their day in court where an independent judge or jury could view evidence and hear testimony. Instead, victims were forced into arbitration, a secretive process that tilts in the favor of corporations.

“ IT WAS MY HOPE THAT THE SANCTIONS WOULD CONVINC WELLS FARGO TO SWIFTLY IDENTIFY AND ERADICATE THE CAUSES UNDERLYING ITS RECALCITRANT CULTURE OF CUSTOMER ABUSE AND MAKE URGENTLY NEEDED CORRECTIONS.”

STATE TREASURER JOHN CHIANG

As the state's banker, the Treasurer oversees nearly \$2 trillion in annual banking transactions, manages a \$75 billion investment pool, and is the nation's largest issuer of municipal debt. He has extended the suspension of Wells Fargo's participation until such a time that the conditions outlined are satisfied...

SANCTIONS TO REMAIN IN PLACE

TREASURER CHIANG HAS CONTINUED TO SUSPEND WELLS FARGO FROM THE FOLLOWING:

1. Purchasing of Wells Fargo Securities
2. As a Broker Dealer for the Purchasing or Trading of Investments
3. As the Leading Underwriter on Negotiated Sales of California State Bonds

These Actions Went Into Effect As Of Sept. 28, 2017 And Will Remain In Place For Up To One Year.

TREASURER CHIANG RENEWS CALL FOR ACTION FROM WELLS FARGO

- ✓ Provide on a quarterly basis evidence that the bank is in full compliance with the terms and conditions of the consent orders it entered with the Consumer Financial Protection Bureau, the Los Angeles City Attorney and the office of the Comptroller of the Currency.
- ✓ Deliver information requested regarding the number of California consumers actually harmed, the concentration of those Californians by branch location, zip code, or city, and the status of Wells Fargo's efforts to resolve their grievances and make them whole.
- ✓ Remove all board members who were MIA as a parade of scandals formed on their watch.
- ✓ Commission and fund a study on how banking institutions can better serve Californians, especially the unbanked and those communities that would greatly benefit from increased financial fluency.
- ✓ Support and cooperate with federal regulators examination of Wells Fargo's other line of banking business, in particular the divisions that deal directly with the Treasurer's Office and other public agencies.



How Treasurer Chiang is Taking Steps to Prevent Another Wells Fargo Scandal:

1. Sponsored Senate Bill 33, authored by Sen. Bill Dodd, D-Napa. The bill, signed by Gov. Brown in October, authorizes judges to refuse petitions for binding arbitration of commercial disputes if a consumer has been the unknowing victim of fraud by a financial institution.



2. Created the Banking Reform Task Force. The Treasurer's task force is charged with crafting actionable recommendations to federal and state policymakers about how to reform the banking industry.



“THE OPAQUE MANNER WITH WHICH THE BANK CONTINUES TO DO BUSINESS AND THE FREQUENCY OF NEW DISCLOSURES OF WANTON GREED AND LACK OF INSTITUTIONAL CONTROL MAKES THIS DECISION SO CLEAR THAT THERE REALLY WAS NO CHOICE AT ALL.”

STATE TREASURER JOHN CHIANG

FOR MORE INFORMATION ON WELLS FARGO BANK SANCTIONS, GO TO TREASURER.CA.GOV