

FRB Consent Order Implementation Report
12/23/11
Section 4 – Compliance Risk Management

Consent Order Requirement – 4c

The plan shall, at a minimum, be designed to: ensure that policies, procedures, and processes are updated on an ongoing basis as necessary to incorporate new or changes to the Legal Requirements and supervisory guidance of the Board of Governors.

Status: Complete

Requirements Summary

Summary. Wells Fargo has a robust process in place to ensure that policies, procedures and processes are updated on an ongoing basis to incorporate new laws and regulations or changes to legal requirements and supervisory guidance. We have reviewed this process and believe it meets the requirements of the Consent Order. However, we have recently augmented the resources available, given the pace and degree of regulatory change in the wake of the financial crisis.

Background

Wells Fargo has a long-standing process (the “alerts process”) with the following features:

- 1) Members of the Legal Group monitor numerous sources of regulatory changes for financial institutions, specifically including the Board of Governors of the Federal Reserve regulations and supervisory guidance. In addition, other items such as interpretive letters, examination procedures, and policy statements, are monitored;
- 2) New items identified through the monitoring process are entered into a database, generating a specific record, and requiring the entering of multiple contextual data points for each change, such as agency, citation, Legal Group contact, the Wells Fargo proponent for incorporating the change into the Wells Fargo risk management tools, and significant dates associated with the item (e.g., comment due date);
- 3) Bi-weekly meetings, including representatives from the Legal Group and from Compliance Risk Management, review each item for significance and applicability, discuss the distribution of the item, and make an initial risk determination. The risk determination designates whether the item requires corporate-level project management (highest-risk, or most broadly applicable items), corporate-level tracking (moderate-to-high risk, cross-group items), or simply assigned to the businesses for implementation (low risk, or narrow applicability items);
- 4) Distribution of each item as applicable to representatives for affected businesses, including staff and support areas, Group Risk Officer offices, and other corporate risk management programs, such as information security and vendor management. Always included in the distribution are: the Major Requirement proponent for CRAS+ (Wells Fargo’s system that catalogs risks, assigns them to businesses, and is used by the businesses to assess risk, controls, to administer testing/monitoring, and record risk condition), the pertinent attorney(s) in the Legal Group,

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Audit, and Compliance Risk Management;

- 5) Ongoing reporting for the projects that are managed as corporate projects, and others determined to require tracking, as established by the risk determination. This reporting goes in summary form to the CORC, and in more detailed form to the Compliance Council.

Changes to policies, procedures and processes are made during execution of the projects that are generated through the alerts process (see 3 above). Indeed, the projects in large measure are specifically to apply project management discipline to the changes necessary in business practices and procedures, and the policies that govern the practices and procedures.

Corporate-wide projects are managed by the corporate Operational Risk function, and new policies, procedures and processes are managed through the project, whether the need is for corporate-level policies, procedures and processes, or at the business level. In the case of other projects that require corporate level tracking, progress on the business level is tracked by Operational Risk. In the case of items assigned to the businesses, the responsibility for making changes is the responsibility of business management. Oversight processes (Compliance Risk Management) or auditing (Wells Fargo Audit) provide assurance.

Treatment of changes from the Consent Orders

For the changes required in the Consent Orders (for example, MERS requirements), an enhanced version of the usual process is being used.

The entire consent order effort is being managed centrally, with the Chief Operational Risk Officer (CORO) as the sponsoring executive, and specified senior executives from the businesses designated as responsible for ensuring that the changes are implemented. Project teams were reviewed for adequacy and expertise.

The project management process has included review and challenge of all aspects of planning, from the project design stage (when an independent review committee was assembled for the purpose) through planning (review by the CORO, senior management, and Audit), and execution (active oversight by corporate risk functions and near real-time assurance work by Audit).

Additional resources allocated to the Alerts program

While we believe the current alerts process to be sufficient to meet the requirements as stated in paragraph 4(c) of the Consent Order, the pace and degree of change in regulatory rulemaking in the wake of the financial crisis is great. Therefore, we have expanded our Dodd-Frank Program Office, and evolved its role to include laws, regulations, and supervisory guidance beyond Dodd-Frank, as they emerge from the alerts process, described in step 3 above. The office is composed of project managers who manage the alerts related corporate-led projects, and administer the tracking and reporting. Although the nominal date for this office to be operating is 1/1/2012, in fact personnel are in place and managing efforts such as the consent order project, the Volcker Rule project, and ongoing coordination of Wells Fargo's other Dodd-Frank initiatives.

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Plan Task Summary and Status (complete)

1. Analyze the alerts process to ensure that it reliably incorporates new or changed Legal Requirements and supervisory guidance of the Board of Governors. Completed 10/11/11.

Further Task Summary and Status

1. Augment the resources available for managing change, by establishing the Regulatory Change Management Office (expanding and further evolving the original Dodd-Frank Office). Complete (official transfer 12/31, but Office is in place, staffed, and functioning).