



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

MICHAEL S. GIBSON
DIRECTOR, DIVISION OF SUPERVISION AND
REGULATION

February 2, 2018

John Stumpf

Re: *Accountability as Chair of Wells Fargo & Company Board of Directors*

Dear Mr. Stumpf:

The Federal Reserve Board is issuing this letter to you with respect to your tenure as Chair of the board of directors of Wells Fargo & Company (WFC) from 2010 to 2016. As Chair, it was your responsibility to lead the WFC board in its oversight of the firm's business and operations. With respect to that responsibility, it was incumbent upon you as leader of the WFC board to ensure that the business strategies approved by the board were consistent with the risk management capabilities of the firm. It was also incumbent on you to ensure that the WFC board had sufficient information to carry out its responsibilities.

In the past year and a half, it has emerged that there were many pervasive and serious compliance and conduct failures ongoing during your tenure as Chair. These include the sales practices that led to the issuance of the Consent Orders from the Office of the Comptroller of the Currency and Consumer Financial Protection Bureau in 2016. Due to the scope and severity of these compliance and conduct failures, the Federal Reserve Board has also issued a cease-and-desist order ("Order") against WFC requiring, among other things, that WFC strengthen board oversight of the firm and senior management. The Order also imposes limits on WFC's growth until substantial progress on implementing the requirements of the Order has been achieved.

The Order is addressed to the current WFC board. However, the Board is issuing this letter to you because of your role as Chair during the time period many of these problems occurred. WFC pursued business strategies and goals that motivated compliance violations and improper practices without ensuring its risk management programs were sufficiently robust to prevent such behavior. In short, appropriate and timely action was not taken and the compliance and conduct failures continued.

In addition, according to the April 10, 2017, Sales Practices Investigation Report (Report), you were aware of specific sales practice problems over the years in your management

capacity at the firm. However, as Chair, you did not ensure that the full board received detailed and timely reporting from senior management. Moreover, you did not appear to initiate any serious investigation or inquiry into the sales practices issues (or any other compliance issues that you may have been aware of at the time) or put a proposal to do so to the WFC board.

You also continued to support the sales goals that were a major cause of the problem, and the senior executives who were most responsible for the failures, and, as detailed in the Report, you resisted attempts by other directors to hold executives accountable even when the other directors had become aware of the seriousness of the compliance and conduct issues.

The Federal Reserve Board has been troubled by the sales practice abuses at WFC, and the ongoing disclosures of misconduct in other areas. In particular, your performance in addressing these problems is an example of ineffective oversight that is not consistent with the Federal Reserve's expectations for a firm of WFC's size and scope of operations.

Sincerely,

/s/

Michael S. Gibson