

[Banking and Finance Law Daily Wrap Up, TOP STORY—Warren urges Fed to maintain Wells Fargo growth restriction until CEO is ousted, \(Oct. 19, 2018\)](#)

Banking and Finance Law Daily Wrap Up

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By [Lisa M. Goolik, J.D.](#)

Senator Elizabeth Warren (D-Mass) is urging Federal Reserve Board Chair Jerome Powell to maintain the Federal Reserve's growth restriction on Wells Fargo until the bank replaces current chief executive officer Tim Sloan "with someone who is not deeply implicated in the bank's repeated and egregious misconduct." In her [letter](#), Warren contends that Wells Fargo "cannot demonstrate that it is 'holding senior management accountable for implementing and maintaining the Firm's strategy' or 'ensur[ing] senior management's ongoing effectiveness in managing the Firm's activities,'" as required by the Fed's order, "if it continues to retain Mr. Sloan as CEO."

Growth restriction. In February 2018, the Fed entered into [consent order](#) with Wells Fargo, restricting the bank's growth until it sufficiently improves its governance and controls, including its risk management processes. In a letter to the bank's board of directors, the Fed stated that the board failed to oversee an adequate risk management framework, which led to various consumer abuses, including the opening of unauthorized accounts and charging customers for unneeded guaranteed auto protection or collateral protection insurance.

The Fed's order prevents Wells Fargo from growing any larger than its total asset size at the end of 2017, but does not prevent the bank from accepting consumer deposits or making consumer loans. It also requires the bank to: separate the roles of chairman and chief executive officer; elect three new board directors by April 2018 and an additional director by the end of 2018; amend board committee charters to enhance risk oversight; centralize risk management functions; and develop and execute comprehensive risk management plans.

Public vote. In response to an earlier push by Warren, the Fed announced in May 2018 that it will require a public vote on whether to lift Wells Fargo's asset growth restriction. In a [letter](#) to Warren, Powell agreed to a vote on the decision and wrote that when the third-party review of Wells Fargo's remedial actions is ready, "we will review that report to determine whether and to what extent the report can be publicly disclosed without impairing protected interests."

Warren's objections. Warren noted that Sloan has held senior management positions at Wells Fargo since 2011 onwards, including chief financial officer, head of wholesale banking, and chief operating officer, before his promotion to chief executive officer in 2016. Warren argued that, during his tenure, Sloan was involved in and defended Wells Fargo's high-pressure sales goals despite knowing they had led thousands of employees to open millions of unauthorized accounts. Warren also pointed out that there have been a slew of new reports of misconduct at Wells Fargo at a time when Sloan served in senior management.

As a result, Warren contended that Sloan's "long track record at the bank demonstrates little ability to 'effectively manage the Firm's activities'" and that the Fed should have "little confidence that [Sloan] can help transform the bank's culture and operations."

Companies: Wells Fargo & Company

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