Press Release

SEC Charges Former Wells Fargo Executives for Misleading Investors About Key Performance Metric

FOR IMMEDIATE RELEASE
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Washington D.C., Nov. 13, 2020 —The Securities and Exchange Commission today charged former Wells Fargo & Co. CEO and Chairman John G. Stumpf and former head of Wells Fargo's Community Bank Carrie L. Tolstedt for their roles in allegedly misleading investors about the success of the Community Bank, Wells Fargo's core business. The SEC's filings include settled charges against Stumpf, who agreed to pay a $2.5 million penalty, and a litigated action alleging Tolstedt committed fraud. The SEC previously filed settled charges against Wells Fargo for engaging in the misconduct.

According to the SEC's complaint against Tolstedt, from mid-2014 through mid-2016, Tolstedt publicly described and endorsed Wells Fargo's "cross-sell metric" as a means of measuring Wells Fargo's financial success despite the fact that this metric was inflated by accounts and services that were unused, unneeded, or unauthorized. The complaint further alleges that Tolstedt signed misleading sub-certifications as to the accuracy of Wells Fargo's public disclosures when she knew or was reckless in not knowing that statements in those disclosures regarding Wells Fargo's cross-sell metric were materially false and misleading.

The SEC's order against Stumpf finds that in 2015 and 2016 he signed and certified statements filed with the Commission, which he should have known were misleading, regarding both Wells Fargo's Community Bank cross-sell strategy and its reported metric. According to the order, Stumpf failed to assure the accuracy of his certifications after being put on notice that Wells Fargo was misleading the public about the cross-sell metric.

"If executives speak about a key performance metric to promote their business, they must do so fully and accurately," said Stephanie Avakian, Director of the SEC's Division of Enforcement. "The Commission will continue to hold responsible not only the senior executives who make false and misleading statements but also those who certify to the accuracy of misleading statements despite warnings to the contrary."

The SEC's complaint, filed in the U.S. District Court for the Northern District of California, charges Tolstedt with violating the antifraud provisions of the federal securities laws and seeks a permanent injunction, civil penalties, disgorgement with prejudgment interest, and an officer-and-director bar. In the SEC's administrative proceeding, Stumpf, without admitting or denying the SEC's findings, has agreed to cease and desist from committing or causing any future violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933 and to pay a civil penalty of $2.5 million. The SEC will combine this money with $500 million paid by Wells Fargo in a previous settlement and distribute the sum to harmed investors.

The SEC's investigation was conducted by Rebecca Lubens, Victor Hong, John Roscigno, and Erin E. Wilk with assistance from Suzy LaMarca under the supervision of Jason H. Lee and Monique C. Winkler of the San Francisco Regional Office. The SEC's litigation against Tolstedt will be conducted by Ms. LaMarca, Ms. Lubens, and Marc Katz.

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