Wells Fargo to Pay $500 Million for Misleading Investors About the Success of Its Largest Business Unit

Payment Will Be Distributed to Harmed Investors

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Washington D.C., Feb. 21, 2020 —The Securities and Exchange Commission today charged California-based Wells Fargo & Co. for misleading investors about the success of its core business strategy at a time when it was opening fake accounts for unknowing customers and selling unnecessary products that went unused. Wells Fargo has agreed to pay $500 million to settle the charges, which will be returned to investors. The $500 million payment is part of a combined $3 billion settlement with the SEC and the Department of Justice.

According to the SEC's order, between 2012 and 2016, Wells Fargo publicly touted to investors the success of its Community Bank's "cross-sell" strategy – selling additional financial products to its existing customers – which it characterized as a key component of its financial success. The order finds that Wells Fargo sought to induce investors' continued reliance on the cross-sell metric even though it was inflated by accounts and services that were unused, unneeded, or unauthorized. According to the order, from 2002 to 2016, Wells Fargo opened millions of accounts of financial products that were unauthorized or fraudulent. Wells Fargo's Community Bank also pressured customers to buy products they did not need and would not use. The order finds that these accounts were opened through sales practices inconsistent with Wells Fargo's investor disclosures regarding its purported needs-based selling model.

"Wells Fargo repeatedly misled investors, including through a misleading performance metric, about what it claimed to be the cornerstone of its Community Bank business model and its ability to grow revenue and earnings," said Stephanie Avakian, Co-Director of the SEC's Division of Enforcement. "This settlement holds Wells Fargo responsible for its fraud and furthers the SEC's goal of returning funds to harmed investors."

The SEC's order finds that Wells Fargo violated the antifraud provisions of the Securities Exchange Act of 1934. Wells Fargo has agreed to cease and desist from committing or causing any future violations of these provisions and to pay a civil penalty of $500 million. The SEC will distribute this money to harmed investors.

The SEC's investigation was conducted by Victor Hong, John Roscigno, Jason H. Lee, and Erin E. Wilk, with assistance from Suzy LaMarca and John Han, under the supervision of Monique C. Winkler of the San Francisco Regional Office. Polly Hayes, Dustin Ruta, and Karen Klotz of the Philadelphia Regional Office also assisted the investigation. The SEC's investigation is continuing.

The SEC appreciates the assistance of the U.S. Attorney's Offices for the Central District of California and the Western District of North Carolina, the Civil Division of the Department of Justice, the Federal Bureau of Investigation, the Federal Deposit Insurance Corporation - Office of Inspector General, the Federal Housing Finance Agency - Office of Inspector General, the Office of Inspector General for the Board of Governors of the Federal Reserve System, and the U.S.Postal Inspection Service.

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