

[Securities Regulation Daily Wrap Up, FINANCIAL INTERMEDIARIES— Senators urge SEC investigation of Wells Fargo, \(Sept. 30, 2016\)](#)

Securities Regulation Daily Wrap Up

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By [J. Preston Carter, J.D., LL.M.](#)

Senators Jeff Merkley (D-Ore), Elizabeth Warren (D-Mass), and Bob Menendez (D-NJ) sent a letter to the SEC, urging it to investigate whether Wells Fargo and senior officials violated laws by misleading investors and firing whistleblowers while the bank oversaw the creation of millions of unauthorized, fraudulent accounts. The senators' [press release](#) notes that Wells Fargo's actions are already under review by the Department of Justice, state attorney general's offices, Department of Labor, and others, and concludes that "The SEC should join in these efforts to ensure that Wells Fargo and its senior executives are held accountable."

Letter to SEC. The [letter](#) to SEC Chair Mary Jo White states that "After regulators discovered this widespread problem, Wells Fargo conducted an analysis that revealed that employees may have opened as many as 1.5 million checking accounts and obtained as many as 565,000 credit cards without customer authorization. Those fraudulent accounts cost customers millions in fees." The senators believe that these facts, as well as [testimony](#) from Wells Fargo CEO John Stumpf before the Senate Banking Committee on September 20, 2016, "justify an investigation into at least three types of securities law violations."

Possible securities law violations. Specifically, the senators requested SEC investigations into:

1. whether Wells Fargo executives violated the internal controls provision of Sarbanes-Oxley by signing off on inaccurate financial reporting;
2. whether Wells Fargo committed securities fraud by failing to disclose problems with fake accounts at the same time as they were promoting their high account-creation numbers as a reason to invest in Wells Fargo; and
3. whether Wells Fargo violated whistleblower protection laws by firing employees after they tried to report misconduct.

Tester letter to Stumpf. Following up on the Senate Banking Committee hearing, committee member John Tester (D-Mont) sent a [letter](#) to Stumpf urging "detailed and timely answers" to a number of questions about "the potential impacts Wells Fargo's actions are having on families who have been forced to pay higher interest rates on loans as a result of negative information that was reported to credit bureaus."

Companies: Wells Fargo

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