

[Securities Regulation Daily Wrap Up, EXECUTIVE COMPENSATION—Wells Fargo’s independent directors conduct investigation; two executives forfeit compensation, \(Sept. 28, 2016\)](#)

Securities Regulation Daily Wrap Up

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By [Thomas G. Wolfe, J.D.](#)

A special committee of independent directors of Wells Fargo & Company has been formed to lead an internal, independent investigation into the company’s "retail banking sales practices and related matters," according to a Sept. 27, 2016 Wells Fargo [release](#). Moreover, Wells Fargo’s chairman and CEO, John Stumpf, has agreed to forgo his salary during the investigation and to forfeit all of his outstanding unvested equity awards—at present valued at approximately \$41 million—and any 2016 bonus. Likewise, the independent directors have determined that Carrie Tolstedt, who was the head of Community Banking at Wells Fargo and recently left the company, will not be paid any severance, retirement enhancements, or 2016 bonus. Further, she must forfeit all of her outstanding unvested equity awards—at present valued at approximately \$19 million.

As a member of Wells Fargo’s board of directors, Stumpf has recused himself from all matters related to the independent directors’ investigation and deliberations. Tolstedt has agreed not to exercise her outstanding options during the investigation.

Investigative approach. In the wake of the federal enforcement action imposing a \$185 million fine on Wells Fargo for the creation of more than two million unauthorized deposit and credit card accounts by bank employees, Lead Independent Director Stephen Sanger remarked, "We are deeply concerned by these matters, and we are committed to ensuring that all aspects of the Company’s business are conducted with integrity, transparency, and oversight. We will conduct this investigation with the diligence it deserves—and will follow the facts wherever they lead."

According to Wells Fargo, the special committee of independent directors has retained Shearman & Sterling LLP as its independent counsel to assist with the investigation.

AFR petition. At the same time, Americans for Financial Reform, a coalition of consumer, business, civic, and community groups, has delivered a petition with more than 75,000 signatures, [asking](#) the leaders of Wells Fargo to "to take responsibility for widespread, illegal behavior, instead of walking off with the profits." Among other things, the AFR is calling on Wells Fargo to "claw back" the compensation of responsible executives and to direct that money toward the bank’s pertinent customers who were injured by any misconduct.

Companies: Americans for Financial Reform; Wells Fargo & Company

Attorneys: (Shearman & Sterling LLP).

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