BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

MICHAEL S. GIBSON
DIRECTOR, DIVISION OF SUPERVISION AND REGULATION

February 2, 2018

Board of Directors
Wells Fargo & Company
420 Montgomery Street
San Francisco, California 94104

Re: *Performance of the Wells Fargo & Company Directors*

Dear Members of the Board:

It is incumbent upon the board of directors of Wells Fargo & Company ("WFC") to carefully evaluate the firm's risk management capacity and to oversee senior management's implementation of an adequate risk management framework for the entire firm. As events of the past few years have confirmed, WFC's board's performance of this oversight role did not meet our supervisory expectations.

In September 2016, Wells Fargo Bank, N.A. entered into settlement agreements in which it disclosed that it had opened several million potentially unauthorized retail customer accounts and fired thousands of employees for improper sales practices between 2011 and 2015. Employees opened unauthorized accounts in response to demanding sales targets and incentives put in place by the bank's senior management. More recently, it has been disclosed that Wells Fargo Bank charged hundreds of thousands of borrowers for unneeded guaranteed auto protection or collateral protection insurance for their automobiles. Further, the firm has recently disclosed other compliance breakdowns. These events have caused substantial consumer harm and have troubled the Board of Governors.

The board of directors must take further steps to ensure that senior management establishes and maintains an effective risk management structure that has sufficient stature, authority, and resources; is independent of business lines; and is commensurate with the firm's size, complexity, and risk profile. The firm's lack of effective oversight and control of compliance and operational risks contributed in material ways to the substantial harm suffered by WFC's customers. Specifically, the board of directors must take steps to improve reporting from senior management. As the April 10, 2017, Sales Practices Investigation Report (commissioned by the independent directors of the board) noted, starting in February 2014 and continuing thereafter, the board and certain committees of the board received from management assurances that Corporate Risk, Human Resources, and the Community Bank were undertaking enhanced monitoring of sales practice misconduct and were addressing sales practice abuses. Management's reports, however, generally lacked detail and were not accompanied by concrete action plans and metrics to track plan performance. The board should have received more detailed and concrete plans from senior management on such a critical issue.

In addition, the board of directors must ensure that WFC's performance management processes for employees, including compensation and other incentive programs, are consistent with sound risk management objectives and promote the firm's compliance with laws and regulations. WFC's performance management and compensation programs played a material role in the firm's compliance breakdowns.

The WFC board has taken steps to improve its oversight of management, including substantially reconstituting the board, and steps to improve WFC's risk management program. The enforcement action that the Board of Governors is initiating against WFC today requires the WFC board to take additional actions to improve WFC board governance and oversight.

The Board of Governors will continue to closely monitor the performance of WFC's board in meeting supervisory expectations, including WFC's compliance with today's enforcement action.

Sincerely,

/s/

Michael S. Gibson