



**JOHN CHIANG**  
**TREASURER**  
STATE OF CALIFORNIA

September 28, 2016

Wells Fargo & Company  
P.O. Box 63750  
San Francisco, CA 94163

Dear Chairman and Members of the Board of Directors:

The recent discovery that Wells Fargo & Company fleeced its customers by opening fraudulent accounts for the purpose of extracting millions in illegal fees demonstrates, at best, a reckless lack of institutional control, and, at worst, a culture which actively promotes wanton greed.

As the state's banker, I oversee nearly \$2 trillion in annual banking transactions, manage a \$75 billion investment pool, and am the nation's largest issuer of municipal debt. My office has long relied on Wells Fargo, our oldest California-based financial institution, as a partner to meet the state's investment and borrowing needs.

But, to borrow from Albert Einstein, "Whoever is careless with the truth in small matters cannot be trusted with [larger] matters." In the case of Wells Fargo, how can I continue to entrust the public's money to an organization which has shown such little regard for the legions of Californians who have placed their financial well-being in its care?

I have a responsibility as a leader in the financial marketplace to take action aimed at helping you understand that integrity and trust matter. Toward this end, I am ordering the suspension of Wells Fargo's participation in its most highly profitable business relationships with my office and the state of California.

More specifically, these sanctions include:

- Suspension of investments by the Treasurer's Office in all Wells Fargo securities;
- Suspension of the use of Wells Fargo as a broker-dealer for purchasing of investments by my office; and
- Suspension of Wells Fargo as a managing underwriter on negotiated sales of California state bonds, where the Treasurer selects the underwriter.

These actions will be in effect as of the date of this letter and will remain in place for one year. During the remainder of my term as Treasurer, it is my expectation that Wells Fargo will comply with all of the terms of the consent orders it has entered with the Consumer Financial Protection Bureau, the Los Angeles City Attorney, and the Office of the Comptroller of the Currency ("Consent Orders"). Evidence of such compliance must be provided to the Treasurer's Office on a quarterly basis.

Please note that if Wells Fargo fails to demonstrate compliance with the Consent Orders or evidence surfaces that Wells Fargo has re-engaged in the same behavior showing systemic problems have not been addressed, the measures described will be extended and additional measures may be taken, up to and including a complete severance of all ties between the Treasurer's Office and Wells Fargo.

In addition, I will use my seat on the boards of the nation's two largest pension funds (i.e., the California Public Employees' Retirement System and the California State Teachers' Retirement System) to pursue governance reforms ensuring this type of behavior and systemic corruption does not recur. Combined, the two pension systems have more than \$2.3 billion invested in Wells Fargo fixed income securities and equity.

Specifically, the measures I seek include:

- Separation of the chief executive and chair positions;
- Appointment of a consumer ombudsman or confirmation that such a position exists, with detailed information on the position's authority and role within the organization;
- Development of an anonymous ethics reporting process and whistleblower protection program or confirmation that such a program exists with detailed information on the program and how it operates;
- A review of Wells Fargo's compensation practices; and
- Consideration of 'clawbacks' for those executives most directly linked to Wells Fargo's deceptive and predatory sales practices.

Just days before the bank admitted these wrongdoings, the company touted its "deep culture and right team" to investors in the company's securities. Wells Fargo has not lived-up to its billing.

Wells Fargo's venal abuse of its customers by secretly opening unauthorized deposit, credit card, debit card and online banking accounts illegally extracted millions of dollars in fees between 2011 and 2015. Moreover, the creation of unwanted accounts damaged consumers' credit records, forcing them to pay higher interest rates on some loans.

This behavior cannot be tolerated and must be denounced publicly in the strongest terms.

Sincerely,



JOHN CHIANG  
California State Treasurer