



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

JANET L. YELLEN
CHAIR

July 11, 2017

The Honorable Elizabeth Warren
United States Senate
Washington, D.C. 20510

Dear Senator:

Thank you for your letter, dated June 19, 2017, regarding the supervisory authority of the Federal Reserve Board of Governors (Federal Reserve) with respect to Wells Fargo's bank holding company.

The Federal Reserve supervises Wells Fargo's bank holding company, and my colleagues and I take our oversight responsibility very seriously. The Wells Fargo situation is deeply troubling, including as evidenced most recently by the report of the independent directors. The Federal Reserve expects institutions to have robust procedures in place to ensure that they act ethically, legally, and responsibly at all levels.

As you know, the regulators with primary and direct oversight in this area imposed fines and worked to ensure that the bank duly addresses customer losses. In addition, the firm has made some significant changes: the CEO and several senior executives have been removed and replaced, tens of millions of dollars in senior management compensation have been clawed back, Wells Fargo has separated the role of CEO and Chair of the Board and has taken steps to restructure its board committees and corporate governance, and the firm has begun restructuring its compliance risk management function to be independent from the business lines. However, Wells Fargo still has a lot of work to do to regain the trust of their customers, supervisors, investors, and the public.

As the holding company supervisor, the Federal Reserve has an active supervisory program underway at Wells Fargo. We are focused on ensuring that the root causes of the firm's compliance and controls breakdowns are understood and addressed. We will take any regulatory and supervisory steps we feel are necessary to ensure the firm's ongoing attention and compliance. It would not be appropriate to comment on

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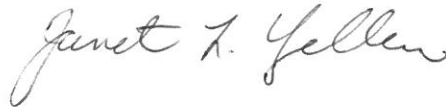
confidential supervisory matters or prejudge what actions the Federal Reserve may take, but we are committed to take whatever actions may be appropriate.

Your letter urges the Federal Reserve to exercise its legal authority to remove holdover Wells Fargo board members. The Federal Reserve does have that legal authority, and we stand ready to use such authority should the facts and circumstances warrant supervisory or enforcement actions in addition to those already taken by other regulators against the bank.

Like many others, I was extremely disturbed by the events at Wells Fargo. The company's actions were not only unacceptable; they were egregiously wrong. As we continue our review of these actions, you may be certain that we will consider the full range of remedial and enforcement steps at our disposal.

Please let me know if I may be of further assistance.

Sincerely,

A handwritten signature in cursive script, reading "Janet L. Yellen". The signature is written in dark ink and is positioned below the word "Sincerely,".