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Wells Fargo: Employees Doctored Signatures, Raising Possibility of Federal Penalties

Wells Fargo (WFC) employees routinely falsified clients' signatures and otherwise doctored paperwork in a misguided effort to satisfy anti-money laundering rules, prompting three federal agencies to consider sanctioning the bank, sources familiar with the matter said.

Wells Fargo is trying to detect tainted documents among hundreds of thousands of client files. The review involves more than 400 lawyers and other remediation workers in the U.S. and India seeking instances of employees "copying and pasting customer's signatures," according to an internal Wells Fargo memo reviewed by *The Capitol Forum.*

The Office of the Comptroller of the Currency (OCC) and the Department of Justice are examining whether senior bank officials directed employees to falsify documents in a Wells Fargo division that serves more than 100,000 small businesses, the sources said.

Separately, the Securities and Exchange Commission is examining whether the bank has properly disclosed the scale of a problem that surfaced in early 2018, the sources said.

The Federal Reserve last year banned Wells Fargo from growing its business as punishment for past customer abuses, and Fed officials are closely monitoring the investigations. Wells Fargo won't be allowed to grow its balance sheet until the bank proves it can detect and quickly resolve future scandals, the Fed has said.

Details of doctored paperwork and phony signatures could damage Wells Fargo's standing with the Fed and weigh on Tim Sloan, the bank's CEO who was tapped to help restore the reputation of the nation's third-largest bank.

Wells Fargo declined to discuss how the bank is trying to detect bogus signatures or the remediation effort. In a prepared statement, the bank said, "There were no customers negatively impacted, no data left the company, and there were no products or services sold as a result of this issue … We take all issues relative to documentation very seriously."

The Wall Street Journal previously reported that regulators are examining whether Wells Fargo altered client paperwork beginning in 2017. But *The Capitol Forum* has learned the problems began a year earlier than previously reported and involve phony signatures—a ploy that has alarmed regulators.

Banks must report any instance of "insider abuse" to the Treasury Department's Financial Crimes Enforcement Network. Wells Fargo is on track to file several hundred such reports—or Suspicious Activity Reports (SAR)—due to the phony signatures, said one source familiar with details of the project.

The remediation push cuts across several lines of business at Wells Fargo and has led to employees being fired, said two sources familiar with the effort.

Rush job. Problems began for Wells Fargo in early 2016 when the bank tried to improve its anti-money laundering systems in the wake of an OCC finding that those systems were lax.

Wells Fargo employees were told to update thousands of customer files—particularly a document known as a Beneficial Ownership Certification (BOC)—and that work was time-consuming and irksome to small business clients, two sources said.

Bank employees began altering documents without clearance from the client.

Often, bank employees made only minor changes to paperwork—adding a correct birthday or Social Security number, the sources said. But some workers placed client signatures on new documents by cutting and pasting from existing forms, sources said.

Federal officials demand that BOC records are reliable when they investigate financial wrongdoing, which is why the Wells Fargo matter has drawn such scrutiny, said one industry source who has worked on the remediation. Regulators are also alarmed that employees working at different sites across the country were using the same tactics and that the problem went undetected for so long, said the source.

Spokespeople for the Fed, DOJ, SEC and OCC all declined to comment for this story.

Most of the altered documents were created in the Wholesale Banking division that serves small businesses. Before Sloan took over Wells Fargo in October 2016, he led the Wholesale Banking unit, but *The Capitol Forum* hasn't seen evidence that Sloan was personally aware of the problems.

Bank's internal review. Well Fargo's effort to detect bogus signatures begins in India where technicians are examining hundreds of thousands of pages of customer accounts related to BOC paperwork.

In the language of the Wells Fargo review, employees are seeking "altered documents."

Paperwork deemed suspicious in India gets a second review in the United States where it might be flagged for an SAR. Lawyers with the firm McGuire Woods file SAR paperwork and investigate Wells Fargo employees alongside the bank's human resources department.

Some Wells Fargo employees are reprimanded for altering documents, but many have been fired. Wells Fargo declined to say how many employees had been fired as part of the investigation.

Wells Fargo told regulators it discovered the problems in February 2018 after receiving complaints on the bank's ethics hotline, according to the sources. The OCC began investigating that same month while the SEC and DOJ began their investigations more recently, the sources said.

It's not clear if Wells Fargo notified the Fed about the doctored paperwork before or after the central bank ordered the bank to freeze its balance sheet.

Wells Fargo said in June SEC filings that it's "responding to recent inquiries from various federal government agencies regarding potentially inappropriate conduct in connection with the collection" of BOC information.