

Wells Fargo Cuts Executive Compensation to Promote Accountability

Wells Fargo has announced compensation cuts for its top executives, including Chief Executive Officer Tim Sloan, and other members of the company's Operating Committee. The cuts are intended to "promote accountability" in the aftermath of the company's "sham-account" scandal.

The affected executives will receive no cash bonus for 2016, and certain performance equity awards will be cut by up to 50 percent. The cuts are estimated to total \$32 million. The actions are in addition to previously announced equity forfeitures of \$41 million for retired Chairman and CEO John Stumpf, and \$19 million for former head of Community Banking Carrie Tolstedt.

The scandal dominated news about Wells Fargo throughout 2016. Thousands of employees were accused of creating as many as two million checking, savings and credit card accounts without customer permission. Employees claimed that the company's corporate culture and overly aggressive sales goals encouraged the widespread fraud. Wells Fargo ultimately agreed to pay \$185 million in fines, and to conduct an independent investigation, which is still ongoing.

According to Wells Fargo, the investigation did not uncover any improper behavior by its senior executives, and its decision to cut compensation was "based on the accountability of all those in senior management for the overall operational and reputation risk of the company."

Mr. Sloan supported the board's decision to cut executive compensation, describing the actions as "critical" to Wells Fargo's commitment to its customers. "It is my personal mission to foster a culture of accountability at all levels of the company and to ensure we are second to none in customer service and advice, ethics, and integrity. Today's action is another step in that direction," he said.

The Wells Fargo move may suggest an increasing willingness on the part of financial institutions to hold senior executives accountable for company wrongdoing, even in situations where they have had no direct involvement.