

FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of the  
Continued Membership  
of

Wells Fargo Securities, LLC  
(CRD No. 126292)

Notice Pursuant to  
Rule 19h-1  
Securities Exchange Act  
of 1934

SD-2368

**July 10, 2024**

## **I. Introduction**

On September 15, 2023, Wells Fargo Securities, LLC (“Wells Fargo” or “Firm”) submitted a Membership Continuance Application (“MC-400A” or “Application”) to FINRA’s Credentialing, Registration, Education, and Disclosure (“CRED”) Department.<sup>1</sup> The Application seeks to permit the Firm, a FINRA member, to continue its membership with FINRA notwithstanding its statutory disqualification. A hearing was not held in this matter; rather, pursuant to FINRA Rule 9523(b), FINRA’s Department of Member Supervision (“FINRA,” “Member Supervision,” or “Department”) approves the Application and is filing this Notice pursuant to Rule 19h-1 of the Securities Exchange Act of 1934 (“Exchange Act” or “SEA”).

## **II. The Statutorily Disqualifying Event**

The Firm is subject to statutory disqualification, as that term is defined in Section 3(a)(39)(F) of the Exchange Act, incorporating by reference Sections 15(b)(4)(D) and (E), as a result of an August 2023 order issued by the Securities and Exchange Commission (“SEC” or “Commission”) finding that Wells Fargo willfully violated Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) and failed reasonably to supervise its employees with a view to preventing or detecting certain of its employees’ aiding and abetting violations of Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder (“SEC Order”).<sup>2</sup>

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<sup>1</sup> See MC-400A and related attachments compiled by CRED, with a cover memorandum dated October 18, 2023, attached as Exhibit 1.

<sup>2</sup> See SEC Order, *In re Wells Fargo Securities, LLC, Wells Fargo Clearing Services, LLC, and Wells Fargo Advisors Financial Network, LLC*, Exchange Act Release No. 98076 (Aug. 8, 2023), attached as Exhibit 2.

The SEC Order also triggered disqualification under Rules 262(a)(4), 506(d)(1)(iv), and 602(c)(3) of the Securities Act of 1933 and Rule 503(a)(4)(ii) of Regulation Crowdfunding. On August 8, 2023, the SEC granted a waiver from the application of the disqualification provisions of these Rules. See *In re Certain Broker-Dealer Practices*, Securities Act Release No. 11221 (Aug. 8, 2023), attached as Exhibit 3.

According to the SEC Order, from January 2019 to September 2022, Wells Fargo's employees sent and received off-channel communications that related to the Firm's business, and a majority of these written communications was not maintained or preserved by the Firm.<sup>3</sup> Further, supervisors who were responsible for preventing this misconduct among junior employees routinely communicated off-channel using their personal devices, and, in so doing, failed to comply with Firm policies by communicating using non-Firm approved methods on their personal devices about the Firm's broker-dealer business.<sup>4</sup>

The Firm was censured and ordered to cease and desist from committing or causing any future violations, to pay (jointly and severally) a civil money penalty of \$125 million, and to comply with certain undertakings.<sup>5</sup> The Firm represented that it paid the penalty on August 11, 2023<sup>6</sup> and is in compliance with the undertakings.<sup>7</sup>

### **III. Remedial Measures**

In its Application, the Firm represented that it undertook remedial measures prior to the issuance of the SEC Order, including revising its policies and procedures concerning the use of approved communications methods, enhancing its training on that topic, implementing changes to the technology available to employees for text messaging purposes, and enhancing surveillance for identifying instances where unauthorized communication methods are used.<sup>8</sup> The Firm is also taking additional remedial measures in accordance with the SEC Order, including a comprehensive review by an independent compliance consultant of the Firm's policies, procedures, and training related to electronic communications.<sup>9</sup> According to the SEC Order, the Commission considered the Firm's prompt remedial actions and cooperation with the SEC when determining to accept the Offer of Settlement.<sup>10</sup>

### **IV. Firm Background**

The Firm has been a FINRA member since May 2003.<sup>11</sup> It is headquartered in Charlotte,

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<sup>3</sup> See Exhibit 2 at p. 2 ¶ 3.

<sup>4</sup> *Id.* at p. 2 ¶ 4.

<sup>5</sup> *Id.* at pp. 6-10.

<sup>6</sup> See Exhibit 1 at FINRA00740 Response to Item 4.

<sup>7</sup> *Id.* at FINRA00754-55, 762-63. See also Firm's Discovery Responses dated February 16, 2024, attached as Exhibit 4, at FINRA pp. 1-2 Response 1.

<sup>8</sup> See Exhibit 1 at FINRA00760.

<sup>9</sup> *Id.* at FINRA00760-61.

<sup>10</sup> See Exhibit 2 at p. 6.

<sup>11</sup> See Central Registration Depository ("CRD") Excerpt – Organization Registration Status, attached as Exhibit 5.

North Carolina, with 55 branches (29 of which are Offices of Supervisory Jurisdiction).<sup>12</sup> The Firm employs approximately 3,184 registered representatives (811 of which are registered principals), 160 operations professionals, and 7,989 non-registered fingerprint individuals.<sup>13</sup> The Firm does not employ any individuals who are subject to statutory disqualification.<sup>14</sup>

Wells Fargo is approved to engage in the following lines of business: exchange member engaged in exchange commission business other than floor activities; broker or dealer making inter-dealer markets in corporate securities over-the-counter; broker or dealer retailing corporate equity securities over-the-counter; broker or dealer selling corporate debt securities; underwriter or selling group participant (corporate securities other than mutual funds); mutual fund retailer; U.S. government securities dealer; U.S. government securities broker; municipal securities dealer; municipal securities broker; solicitor of time deposits in a financial institution; put and call broker or dealer or option writer; broker or dealer selling securities of non-profit organizations; trading securities for own account; private placements of securities; broker or dealer selling interests in mortgages or other receivables; effects transactions in commodity futures/ commodities/commodity options as broker for others or dealer for own account; engages in other securities business (solicits and effects transactions in repurchase agreements, reverse purchase agreements, banker's acceptance, deposit notes, and other exempt securities transactions for affiliated and non-affiliated entities; produces research; offers merger and acquisition services; engages in stock loan/stock borrowed activities, securities lending, margin lending, prime broker services, mergers and acquisitions advisory business; acts as a primary dealer of the Federal Reserve Bank of New York), and engages in other non-securities business including loan syndication.<sup>15</sup>

Wells Fargo is a member of the following self-regulatory organizations ("SROs"): BOX Exchange LLC ("BOX"); Cboe Exchange, Inc. ("Cboe"); Cboe BYX Exchange, Inc. ("BYX"); Cboe BZX Exchange, Inc. ("BZX"); Cboe C2 Exchange, Inc. ("C2"); Cboe EDGA Exchange, Inc. ("EDGA"); Cboe EDGX Exchange, Inc. ("EDGX"); Investors Exchange LLC ("IEX"); The Long-Term Stock Exchange ("LTSE"); MEMX LLC ("MEMX"); Miami International Securities Exchange, LLC ("MIAX"); MIAX Emerald, LLC ("MIAX Emerald"); MIAX PEARL, LLC ("MIAX PEARL"); New York Stock Exchange LLC ("NYSE"); NYSE American LLC ("NYSE American"); NYSE Arca, Inc. ("NYSE Arca"); NYSE Chicago, Inc. ("NYSE Chicago"); NYSE National, Inc. ("NYSE National"); Nasdaq BX, Inc. ("BX"); Nasdaq GEMX, LLC ("GEMX"); Nasdaq

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<sup>12</sup> Verified by FINRA staff through a review of information contained in CRD, last performed on May 29, 2024.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> See CRD Excerpts – Types of Business and Other Business Description, collectively attached as Exhibit 6.

ISE, LLC (“ISE”); Nasdaq MRX, LLC (“MRX”); Nasdaq PHLX LLC (“PHLX”); The Nasdaq Stock Market LLC (“Nasdaq”);<sup>16</sup> Municipal Securities Rulemaking Board (“MSRB”); The Depository Trust Company (“DTC”); Fixed Income Clearing Corporation – Government Securities Division (“FICC-GOV”); Fixed Income Clearing Corporation – Mortgage-Backed Securities Division (“FICC-MBS”); and National Securities Clearing Corporation (“NSCC”).<sup>17</sup>

### **Recent Examinations**

In the past two years, FINRA completed three routine examinations of the Firm (including one on behalf of other SROs) all of which resulted in Cautionary Action Letters (“CALs”), and six non-routine examinations of the Firm that resulted in CALs.

#### **A. FINRA Routine Examinations**

In September 2023, FINRA completed a routine examination that resulted in a CAL being issued to the Firm for four exceptions pertaining to the Firm’s failure to 1) provide evidence that counterparties to non-cash borrow transactions should have been treated as non-customers, 2) maintain adequate written supervisory procedures (“WSPs”) designed to comply with the requirements of SEA Rule 15c2-11, 3) register a person as a non-registered fingerprint individual (“NRF”) in violation of FINRA By-Laws and the Firm’s WSPs, and 4) establish written procedures and an adequate process to ensure that each registered representative’s Form U-4 was promptly updated to reflect approved outside business activities (“OBAs”).<sup>18</sup> The Firm responded in writing that it took corrective action to confirm that the counterparties were considered non-customers, implemented technology enhancements to comply with Rule 15c2-11, formulated a corrective action plan to identify and designate appropriate persons as NRFs, and implemented a corrective action plan to detect and disclose necessary OBAs.<sup>19</sup>

In August 2022, FINRA completed a routine examination on behalf of several other SROs that resulted in a CAL being issued to the Firm on behalf of Cboe for one exception, and a referral of two exceptions to FINRA’s Department of Enforcement (“Enforcement”) for review and disposition on behalf of C2, Cboe, ISE, Nasdaq, PHLX, NYSE American, and NYSE Arca.<sup>20</sup> The exception that resulted in the CAL pertained to the Firm transacting business with the public on the Cboe Exchange in a capacity for which it was not

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<sup>16</sup> See Exhibit 5.

<sup>17</sup> The Firm’s membership was verified by FINRA staff through a search of public member directories, last performed on May 29, 2024.

<sup>18</sup> See Disposition Letter for Examination No. 20220734145 dated September 7, 2023, Examination Report dated June 13, 2023, and Firm Response dated June 27, 2023, collectively attached as Exhibit 7.

<sup>19</sup> *Id.* at FINRA pp. 9-13.

<sup>20</sup> See Disposition Letter for Examination No. 20210693299 dated August 26, 2022, Examination Report dated March 31, 2022, and Firm Response dated April 14, 2022, collectively attached as Exhibit 8.

approved.<sup>21</sup> The Firm responded that it recently gained the appropriate approval from Cboe.<sup>22</sup> The two exceptions referred to Enforcement pertained to the Firm's failure to 1) maintain accurate books and records for manually received and/or handled options orders, and 2) maintain an adequate escalation process for alerts related to supervision of manual orders.<sup>23</sup> The Firm responded in writing that it will remediate the books and records inaccuracies, implement a systematic solution, and enhance its WSPs to more clearly document the escalation pathway.<sup>24</sup>

In July 2022, FINRA completed a routine examination that resulted in a CAL being issued to the Firm for seven exceptions pertaining to the Firm's failure to 1) accurately report data to the Consolidated Audit Trail ("CAT"), 2) maintain WSPs related to fixed income market access with a reasonable level of detail, 3) provide any documentation supporting its review of the reasonableness of its financial risk management controls, 4) enforce and adhere to its procedures related to the minimum onboarding and ongoing credit limit and exposure monitoring requirements set forth in its Agency Lending Disclosure Procedures, 5) retain adequate supporting documentation for offerings in which the Firm was not lead underwriter to evidence that it no longer had any exposure to the deals as of close of business the day of the pricing date, 6) maintain a process or WSP designed to ensure customers that purchased municipal securities were timely notified if the Firm was unable to receive the securities from the selling counterparty on the settlement date, and 7) maintain an adequate no-lien acknowledgment letter with appropriate language in order for mutual fund custody accounts to be considered as good control locations.<sup>25</sup> The Firm responded in writing that it implemented a fix to accurately report CAT data, implemented a fixed income market access working group to enhance its policies, enhanced various policies related to the other deficiencies, and revised its no-lien acknowledgment letters.<sup>26</sup>

#### B. FINRA Non-Routine Examinations

On December 11, 2023, FINRA issued a CAL to the Firm pertaining to the Firm's failure to establish, maintain, and enforce WSPs that are reasonably designed to ensure compliance with the terms of the Benchmark Exception in SEA Rule 611(b)(7).<sup>27</sup> The Firm responded in writing that it took action to revise its WSPs related to the Benchmark

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<sup>21</sup> *Id.* at FINRA pp. 2, 9.

<sup>22</sup> *Id.* at FINRA p. 15.

<sup>23</sup> *Id.* at FINRA pp. 6-9.

<sup>24</sup> *Id.* at FINRA pp. 13-14. As of the date of this Notice, these two exceptions are still under review.

<sup>25</sup> *See* Disposition Letter for Examination No. 20210693297 dated July 6, 2022, Examination Report dated May 27, 2022, and Firm Response dated June 10, 2022, collectively attached as Exhibit 9.

<sup>26</sup> *Id.* at FINRA pp. 12-17.

<sup>27</sup> *See* CAL for Examination No. 20230790647 dated December 11, 2023 and Firm Response dated December 20, 2023, collectively attached as Exhibit 10.

Exception.<sup>28</sup>

On April 5, 2023, FINRA issued a CAL to the Firm on behalf of Cboe pertaining to the Firm's failure to timely report positions to the Large Options Position Report.<sup>29</sup>

On March 17, 2023, FINRA issued a CAL to the Firm pertaining to the Firm's erroneous reporting of 74 transactions to the FINRA Nasdaq Trade Reporting Facility.<sup>30</sup> The Firm responded in writing that it corrected the order management system to resolve the reporting error.<sup>31</sup>

On December 1, 2022, FINRA issued a CAL to the Firm pertaining to the Firm's failure to obtain the minimum required information on NRF employment applications for internal applicants and to retain employment applications in an appropriate format for the required amount of time.<sup>32</sup>

On July 19, 2022, FINRA issued a CAL to the Firm pertaining to the Firm's failure to maintain electronic records related to their customer information programs in the required non-erasable and non-rewritable format.<sup>33</sup>

On June 28, 2022, FINRA issued a CAL to the Firm pertaining to the Firm's failure to send trade confirmations to institutional customers with correct information.<sup>34</sup>

### **Regulatory Actions**

In the past two years, Wells Fargo has been the subject of five other disciplinary actions besides the SEC Order that resulted in the Application: two Letters of Acceptance, Waiver, and Consent ("AWCs") with FINRA, one order issued by the Commodity Futures Trading Commission ("CFTC"), one CME Group Notice of Disciplinary Action, and one Cboe

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<sup>28</sup> *Id.* at FINRA p. 3.

<sup>29</sup> *See* CAL for Examination No. 20190643117 dated April 5, 2023, attached as Exhibit 11. The Firm did not provide a written response to the CAL. This examination also resulted in a disciplinary action filed by Cboe against the Firm. *See* Exhibit 23, *infra*.

<sup>30</sup> *See* CAL for Examination No. 20220742575 dated March 17, 2023 and Firm Response dated March 30, 2023, collectively attached as Exhibit 12.

<sup>31</sup> *Id.* at FINRA p. 3.

<sup>32</sup> *See* Disposition Letter for Examination No. 20220752152 dated December 1, 2022 with attached Examination Report, collectively attached as Exhibit 13. The Firm was not required to provide a written response.

<sup>33</sup> *See* CAL for Examination No. 20210730447 dated July 19, 2022, attached as Exhibit 14. The Firm was not required to provide a written response.

<sup>34</sup> *See* CAL for Examination No. 20210735140 dated June 28, 2022 with attached Examination Report, collectively attached as Exhibit 15. The Firm was not required to provide a written response.

decision incorporating a Letter of Consent.

A. FINRA Matters

On January 19, 2024, the Firm entered into an AWC with FINRA which found that the Firm sent approximately 2.27 million trade confirmations to customers failing to disclose prices on the confirmations were average prices for orders effected via multiple executions and that details regarding the actual prices were available upon request.<sup>35</sup> The Firm also failed to maintain supervisory procedures reasonably designed to ensure the accuracy of information contained in the trade confirmations.<sup>36</sup> As a result, the Firm consented to a censure and a \$425,000 fine.<sup>37</sup>

On December 22, 2022, the Firm entered into an AWC with FINRA which found that the Firm overstated its advertised trade volume on Bloomberg and Thompson Reuters in violation of FINRA Rules 5210 and 2010 and failed to establish and maintain a supervisory system reasonably designed to achieve compliance with FINRA Rule 5210.<sup>38</sup> As a result, the Firm consented to a censure and a \$200,000 fine.<sup>39</sup>

B. CFTC Matter

On August 8, 2023, the CFTC issued an order finding that the Firm violated Section 4g of the Commodity Exchange Act (7 U.S.C. § 6g), and Regulations 1.31, 1.35, and 166.3 (17 C.F.R. §§ 1.31, 1.35, 166.3 (2022)).<sup>40</sup> The violations are based on the same misconduct underlying the SEC Order that is the subject of the Firm's Application. Wells Fargo was ordered to cease and desist from violating the above cited sections and regulations, to pay (jointly and severally) a \$75 million civil penalty, and to comply with various undertakings concerning the Firm's preservation of records pertaining to electronic communications.<sup>41</sup>

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<sup>35</sup> See FINRA AWC Matter No. 2021072404901 dated January 19, 2024, attached as Exhibit 16.

<sup>36</sup> *Id.* at p. 3.

<sup>37</sup> *Id.* at p. 4. The Firm paid the fine on February 7, 2024. See Form U6, attached as Exhibit 17 at FINRA p. 2, Question 13.

<sup>38</sup> See FINRA AWC Matter No. 2017056834001 dated December 22, 2022, attached as Exhibit 18.

<sup>39</sup> *Id.* at p. 3. The Firm paid the fine on January 9, 2023. See Form U6, attached as Exhibit 19 at p. 3 Question 13.

<sup>40</sup> See CFTC Order, *In re Wells Fargo Securities LLC*, CFTC Docket No. 23-36 (Aug. 8, 2023), attached as Exhibit 20. FINRA has determined that this is not a disqualifying event.

<sup>41</sup> *Id.* at pp. 9-13. The Firm represented that the civil penalty was paid on August 11, 2023 and that it is in compliance with the undertakings. See Exhibit 4 at p. 2 Response 2.

### C. CME Group Matter

On March 15, 2024, the CME Group issued a Notice of Disciplinary Action finding that the Firm violated CME Rules by using a customer agreement that allowed margin calls to be met in a timeframe that was longer than one business day and agreed to restrict the Firm's ability to liquidate positions to meet a margin call.<sup>42</sup> As a result, the Firm was fined \$25,000.<sup>43</sup>

### D. Cboe Matter

On April 5, 2023, Cboe issued a decision incorporating a Letter of Consent finding that the Firm failed to accurately report reportable positions to the LOPR.<sup>44</sup> The Firm consented to a censure and a \$50,000 fine.<sup>45</sup>

## V. **Prior SEA Rule 19h-1 Notices**

FINRA previously filed one Rule 19h-1 Notice approving Wells Fargo's continued membership notwithstanding the existence of its statutory disqualification.

On February 9, 2021, FINRA filed a Rule 19h-1 Notice approving Wells Fargo's membership notwithstanding its statutory disqualification stemming from a judgment entered by the U.S. District Court for the District of Rhode Island on March 20, 2019 permanently enjoining the Firm from violating Section 17(a) of the Securities Act of 1933.<sup>46</sup> The Commission acknowledged FINRA's Notice on March 17, 2021.<sup>47</sup>

## VI. **The Firm's Proposed Continued Membership with FINRA and Plan of Heightened Supervision**

The Firm seeks to continue its membership with FINRA notwithstanding its status as a disqualified member. The Firm has agreed to the following Plan of Heightened Supervision

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<sup>42</sup> See CME Group Notice of Disciplinary Action, File No. 22-CH-2207 (Mar. 15, 2024), attached as Exhibit 21.

<sup>43</sup> *Id.* at p. 2. The Firm represented that it paid the fine. See CRD Disclosure Occurrence Composite for Occurrence 2332156, attached as Exhibit 22 at p. 3.

<sup>44</sup> See Cboe Disciplinary Decision and Letter of Consent, *In re Wells Fargo Securities, LLC*, File No. URE-22-01 (April 5, 2023), attached as Exhibit 23.

<sup>45</sup> *Id.* at FINRA p. 2. The Firm paid the fine on May 25, 2023. See Exhibit 4 at FINRA p. 3, Response 3, and p. 7.

<sup>46</sup> See *In re the Continued Membership of Wells Fargo Securities, LLC*, SD-2243 (FINRA NAC Feb. 9, 2021) and the SEC's Letter of Acknowledgement dated March 17, 2021, collectively attached as Exhibit 24.

<sup>47</sup> *Id.* at FINRA p. 9.



(“Supervision Plan” or “Plan”) as a condition of its continued membership with FINRA:<sup>48</sup>

Wells Fargo Securities, LLC (the “Firm”) is subject to statutory disqualification pursuant to Section 3(a)(39)(F) of the Securities Exchange Act of 1934, which incorporates by reference Sections 15(b)(4)(D) & (E), as a result of an order issued by the U.S. Securities and Exchange Commission (“SEC” or “Commission”) dated August 8, 2023, which found that the Firm willfully violated Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-4(b)(4) thereunder (“SEC Order”). The SEC Order also found that the Firm failed to reasonably supervise its employees within the meaning of Section 15(b)(4)(E).

For the purpose of this Supervision Plan, the term “Digital Communication Channels” means all written electronic methods of communication used to conduct Firm business, including but not limited to, text messaging platforms, whether via SMS messaging, iMessage, or other messaging services such as WhatsApp; direct messaging platforms including X f/k/a “Twitter,” Instagram, LinkedIn, Slack, or Bloomberg Messaging; non-firm domain email accounts; and any other written electronic business-related correspondence. “Digital Communication Channels” encompass platforms used to exchange messages with internal or external stakeholders using either a personal or Firm-provided device.

For the purpose of this Supervision Plan, the term “Off-Channel Communications” means all business-related written electronic messages required to be maintained under Rule 17a-4 sent on Digital Communication Channels that are not captured by Firm surveillance and record-keeping systems.

In consenting to this Supervision Plan, the Firm agrees to the following:

1. The Firm shall comply with all of the undertakings outlined in the SEC Order.
2. The Firm shall maintain copies of all correspondence between the Firm and Commission staff relating to the SEC Order, including documenting when Commission staff grants extensions to the deadlines set forth in the SEC Order. The Firm shall maintain copies of all such correspondence in a readily accessible place for ease of review by FINRA staff.
3. The Firm shall provide FINRA’s Statutory Disqualification Group with copies of all certifications submitted to the SEC upon completion of the undertakings as specified in the SEC Order. The Firm shall maintain copies of all certifications in a readily accessible place for ease of review by FINRA staff.
4. The Firm shall maintain copies of all reports and supporting documentation submitted to SEC staff in accordance with the SEC Order, as well as any other documentation needed to evidence the status and completion of each of the

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<sup>48</sup> See Executed Consent to Plan of Heightened Supervision dated April 29, 2024, attached as Exhibit 25.

undertakings outlined in the SEC Order. The Firm shall maintain copies of such documentation in a readily accessible place for ease of review by FINRA staff.

5. Within six months of the SEC's Letter of Acknowledgement ("LOA") in this matter, to the extent that it has not already done so within the past six months, and on at least an annual basis thereafter, for a term of six years from the date of the LOA, the Firm shall conduct training for all associated persons regarding the Digital Communication Channels that the Firm has approved for business communication, along with the Firm's current policies regarding retention of business-related electronic communications. The Firm shall maintain a record of individual completion of said training and a copy of said training materials in a readily accessible place for ease of review by FINRA staff.
6. The Firm shall conduct the training described in item number 5 above for all new hires, within 65 days from the date of commencement of new hire training, for a term of six years from the date of the LOA. The Firm shall retain a record of all new hire training, including a copy of all written training materials, and keep said record(s) in a readily accessible place for ease of review by FINRA staff.
7. Within 90 days of the LOA, the Firm shall, to the extent that it has not already done so, establish and maintain a written list(s) of all Digital Communication Channels that its associated persons are permitted to use to communicate about Firm business. The list(s) shall be circulated to all of the Firm's associated persons at least on a semi-annual basis, for a term of six years from the date of the LOA. The Firm shall require that all associated persons obtain written approval for use of any Digital Communication Channels to communicate about Firm business that are not already on the approved list(s) maintained by the Firm. The Firm shall maintain a record of all requests and approvals or rejections of each request, including the date of the requests and the Firm's decision. The Firm shall maintain copies of such requests and decisions in a readily accessible place for ease of review by FINRA staff.
8. The Firm shall require all associated persons to disclose on at least a semi-annual basis, for a term of six years from the date of the LOA, any unapproved Digital Communication Channels he/she is using to communicate about Firm business. The Firm shall retain records of such disclosures in a readily accessible place for ease of review by FINRA staff.
9. Subject to Paragraph 7 above, the Firm shall prohibit associated persons from using Off-Channel Communications.
10. Within 90 days of the LOA, the Firm shall, to the extent that it has not already done so, develop a process whereby, in the event that an associated person sends or receives an Off-Channel Communication, the Off-Channel Communication is submitted to the Firm and retained in compliance with relevant securities laws and regulations. For a term of six years from the date of the LOA, the Firm shall maintain a record of all such Off-Channel Communications, including a record of

the Firm's receipt of the communication, in a readily accessible place for ease of review by FINRA staff.

11. Within 90 days of the LOA, the Firm shall, to the extent that it has not already done so, develop and maintain written policies and procedures detailing the Firm's processes for disciplining associated persons who use Off-Channel Communications to communicate about Firm business. When the Firm uses the disciplinary process, the Firm shall document each instance. The Firm shall retain records of such written policies and procedures and records of the disciplinary processes and each outcome.
12. All requested documents and certifications under this Supervision Plan shall be sent directly to FINRA's Statutory Disqualification Group at [SDMailbox@FINRA.org](mailto:SDMailbox@FINRA.org).
13. The Firm shall obtain written approval from FINRA's Statutory Disqualification Group prior to changing any provision of the Supervision Plan.
14. The Firm shall submit any proposed changes or other requested information under this Supervision Plan to FINRA's Statutory Disqualification Group at [SDMailbox@FINRA.org](mailto:SDMailbox@FINRA.org).

## **VII. Discussion**

After carefully reviewing the entire record in this matter, FINRA approves the Firm's request to continue its membership with FINRA, subject to the terms and conditions set forth herein. In evaluating Wells Fargo's Application, FINRA assessed whether the Firm has demonstrated that its continued membership is consistent with the public interest and does not create an unreasonable risk of harm to investors or the markets. *See* FINRA By-Laws, Art. III, Sec. 3(d); *cf. Frank Kufrovich*, 55 S.E.C. 616, 624 (2002) (holding that FINRA "may deny an application by a firm for association with a statutorily disqualified individual if it determines that employment under the proposed plan would not be consistent with the public interest and the protection of investors"). Typically, factors that bear on FINRA's assessment include, among other things, the nature and gravity of the statutorily disqualifying misconduct, the time elapsed since its occurrence, the restrictions imposed, the Firm's regulatory history, and whether there has been any intervening misconduct.

As of the date of this Notice, FINRA has determined that the Firm's continued membership is consistent with the public interest and does not create an unreasonable risk of harm to investors or the markets. While the SEC Order identified serious violations of securities laws, the Firm was not expelled or suspended, nor were any limitations placed on Wells Fargo's securities activities. Although the SEC Order triggered certain disqualifications from exemptions from registration available under the Securities Act of 1933 ("Securities Act"), specifically Regulations A, D and E of the Securities Act and Regulation Crowdfunding, the SEC granted the Firm a waiver from the application of the disqualification provisions of Rules 262(a)(4)(ii), 506(d)(1)(iv)(B), and 602(c)(3) of the Securities Act and Rule 503(a)(4)(ii) of Regulation Crowdfunding. Moreover, the full

amount of the civil monetary penalty was promptly paid. Additionally, the Firm represented that it is in compliance with the ordered undertakings.

Member Supervision also acknowledges that within the SEC Order the Commission considered the Firm's prompt remedial actions and cooperation with the Commission when determining to accept the Offer of Settlement.<sup>49</sup> The Firm has represented that it revised its policies and procedures, enhanced its training, implemented new technology, and enhanced its surveillance measures.

In evaluating the Firm's Application, FINRA noted the Firm's limited regulatory history, its corrective measures taken in response to its recent exam findings, and the actions taken thus far to implement the independent consultant's recommendations in connection with the disqualifying event. Wells Fargo has paid all fines issued by various regulators and none of the other regulatory matters would prevent the continuance of the Firm as a FINRA member.

FINRA is further reassured by the controls set in place by the Firm's Supervision Plan which bolster the undertakings outlined in the SEC Order and will continue to provide oversight of the Firm and compliance with its remaining undertakings. In accordance with the Plan, the Firm agreed to conduct annual training for all associated persons, including new hires, regarding the Firm's approved digital communication methods and record retention policies for electronic communications. Further, the Plan calls for the Firm to maintain a list of approved digital communication methods that associated persons are permitted to use for Firm business and to circulate that list to its associated persons semi-annually. The Plan requires the Firm's associated persons to obtain written approval to use digital communication channels not already approved. The Plan prohibits the use of off-channel communications and requires associated persons to semi-annually disclose any unapproved digital communication methods they are using for Firm business; they must also forward any off-channel communications that may have taken place to the Firm for retention purposes. These provisions will help to ensure that the Firm is aware of the communication methods being used by associated persons so that it can appropriately monitor, capture, and retain those communications. Additionally, the Plan mandates that the Firm develop policies and procedures for disciplining associated persons who use unapproved communication methods for Firm business and segregate all certifications, reports, and supporting documentation submitted to the SEC regarding compliance with the undertakings, for ease of review by FINRA staff to ensure ongoing compliance.

Following the approval of the Firm's continued membership in FINRA, FINRA intends to utilize its examination and surveillance processes to monitor the Firm's continued compliance with the standards prescribed by Exchange Act Rule 19h-1 and FINRA Rule 9523.

Thus, FINRA is satisfied, based on the foregoing and on the Firm's representations made pursuant to the Supervision Plan, that the Firm's continued membership in FINRA is consistent with the public interest and does not create an unreasonable risk of harm to the

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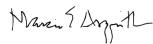
<sup>49</sup> See Exhibit 2 at p. 6.

market or investors. Accordingly, FINRA approves Wells Fargo's Application to continue its membership with FINRA.

FINRA certifies that the Firm meets all qualification requirements and represents that the Firm is registered with several other SROs including BOX; Cboe; BYX; BZX; C2; EDGA; EDGX; IEX; LTSE; MEMX; MIAX; MIAX Emerald; MIAX PEARL; NYSE; NYSE American; NYSE Arca; NYSE Chicago; NYSE National; BX; GEMX; ISE; MRX; PHLX; Nasdaq; DTC; FICC-GOV; FICC-MBS; and NSCC. The SROs have been provided with the terms and conditions of Wells Fargo's proposed continued membership, and they concur with FINRA.

In conformity with the provisions of Rule 19h-1 of the Exchange Act, the continued membership of the Firm will become effective within 30 days of the receipt of this notice by the Commission, unless otherwise notified by the SEC.

On Behalf of FINRA,



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Marcia E. Asquith  
Executive Vice President & Corporate Secretary

EXHIBITS  
SD-2368

1. MC-400A and related attachments compiled by CRED, with a cover memorandum dated October 18, 2023.
2. SEC Order, *In re Wells Fargo Securities, LLC, Wells Fargo Clearing Services, LLC, and Wells Fargo Advisors Financial Network, LLC*, Exchange Act Release No. 98076 (Aug. 8, 2023).
3. *In re Certain Broker-Dealer Practices*, Securities Act Release No. 11221 (Aug. 8, 2023).
4. Firm's Discovery Responses dated February 16, 2024.
5. CRD Excerpt – Organization Registration Status.
6. CRD Excerpts – Types of Business and Other Business Description.
7. Disposition Letter for Examination No. 20220734145 dated September 7, 2023, Examination Report dated June 13, 2023, and Firm Response dated June 27, 2023.
8. Disposition Letter for Examination No. 20210693299 dated August 26, 2022, Examination Report dated March 31, 2022, and Firm Response dated April 14, 2022.
9. Disposition Letter for Examination No. 20210693297 dated July 6, 2022, Examination Report dated May 27, 2022, and Firm Response dated June 10, 2022.
10. CAL for Examination No. 20230790647 dated December 11, 2023 and Firm Response dated December 20, 2023.
11. CAL for Examination No. 20190643117 dated April 5, 2023.
12. CAL for Examination No. 20220742575 dated March 17, 2023 and Firm Response dated March 30, 2023.
13. Disposition Letter for Examination No. 20220752152 dated December 1, 2022 with attached Examination Report.
14. CAL for Examination No. 20210730447 dated July 19, 2022.
15. CAL for Examination No. 20210735140 dated June 28, 2022 with attached Examination Report.

16. FINRA AWC Matter No. 2021072404901 dated January 19, 2024.
17. Form U6.
18. FINRA AWC Matter No. 2017056834001 dated December 22, 2022.
19. Form U6.
20. CFTC Order, *In re Wells Fargo Securities LLC*, CFTC Docket No. 23-36 (Aug. 8, 2023).
21. CME Group Notice of Disciplinary Action, File No. 22-CH-2207 (Mar. 15, 2024).
22. CRD Disclosure Occurrence Composite for Occurrence 2332156.
23. Cboe Disciplinary Decision and Letter of Consent, *In re Wells Fargo Securities, LLC*, File No. URE-22-01 (April 5, 2023).
24. *In re the Continued Membership of Wells Fargo Securities, LLC*, SD-2243 (FINRA NAC Feb. 9, 2021) and the SEC's Letter of Acknowledgement dated March 17, 2021.
25. Executed Consent to Plan of Heightened Supervision dated April 29, 2024.