

FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of the
Continued Membership
of
Wells Fargo Advisors Financial Network,
LLC
(CRD No. 11025)

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

SD-2369

June 5, 2024

I. Introduction

On September 15, 2023, Wells Fargo Advisors Financial Network, LLC (“Wells Fargo” or “Firm”) submitted a Membership Continuance Application (“MC-400A” or “Application”) to FINRA’s Credentialing, Registration, Education, and Disclosure (“CRED”) Department.¹ 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”).²

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

² 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*

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.³ 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.⁴

The Firm was censured and ordered to cease and desist from committing or causing any future violations, to pay (jointly and severally) a civil monetary penalty of \$125 million, and to comply with certain undertakings.⁵ The Firm represented that it paid the penalty on August 11, 2023⁶ and is in compliance with the undertakings.⁷

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.⁸ The Firm is also taking additional remedial measures in accordance with the SEC Order, including hiring an independent compliance consultant to conduct a comprehensive review of the Firm's policies, procedures, and training related to electronic communications.⁹ 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.¹⁰

Broker-Dealer Practices, Securities Act Release No. 11221 (Aug. 8, 2023), attached as Exhibit 3.

³ See Exhibit 2 at p. 2 ¶ 3.

⁴ *Id.* at p. 2 ¶ 4.

⁵ *Id.* at pp. 6-10.

⁶ See Exhibit 1 at FINRA00535 Response to Item 4 and FINRA00551-53.

⁷ *Id.* at FINRA00549-550, 00555-557. See also Firm's Discovery Responses dated February 16, 2024, attached as Exhibit 4.

⁸ See Exhibit 1 at FINRA00555.

⁹ *Id.* at FINRA00555-557.

¹⁰ See Exhibit 2 at p. 6.

IV. Firm Background

The Firm has been a FINRA member since November 1983.¹¹ It is headquartered in St. Louis, Missouri, with 1,128 branches (119 of which are Offices of Supervisory Jurisdiction).¹² The Firm employs approximately 3,379 registered representatives (1,269 of which are registered principals), seven operations professionals, and 975 non-registered fingerprint employees.¹³ The Firm employs two individuals who are subject to statutory disqualification.¹⁴

Wells Fargo is approved to engage in the following lines of business: 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 underwriter or sponsor; mutual fund retailer; U.S. government securities dealer; U.S. government securities broker; municipal securities dealer; municipal securities broker; broker or dealer selling variable life insurance or annuities; solicitor of time deposits in a financial institution; real estate syndicator; broker or dealer selling gas or oil interests; put and call broker or dealer or option writer; broker or dealer selling securities of non-profit organizations; investment advisory services; broker or dealer selling tax shelters or limited partnerships in primary distributions; broker or dealer selling tax shelters or limited partnerships in the secondary market; non-exchange member arranging for transactions in listed securities by exchange member; trading securities for own account; private placements of securities; broker or dealer selling interests in mortgages or other receivables.¹⁵

Wells Fargo is a member of the Municipal Securities Rulemaking Board (“MSRB”).¹⁶

Recent Examinations

In the past two years, FINRA completed one routine examination of the Firm which resulted in a Cautionary Action Letter (“CAL”) and two non-routine examinations that resulted in CALs.

¹¹See Central Registration Depository (“CRD”) Excerpt – Organization Registration Status, attached as Exhibit 5.

¹² Verified by FINRA staff through a review of information contained in CRD, last performed on May 16, 2024.

¹³ *Id.*

¹⁴ See Appendix A, attached.

¹⁵ See CRD Excerpt – Types of Business, attached as Exhibit 6.

¹⁶ The Firm’s membership was verified by FINRA staff through a search of public member directories, last performed on May 16, 2024.

A. FINRA Routine Examination

In May 2024, FINRA completed a routine examination that resulted in a CAL being issued to the Firm for two exceptions.¹⁷ Those exceptions pertained to the Firm's failure to enforce its written supervisory procedures ("WSPs") about confirming facts and figures submitted to Barron's for the contenders on Barron's Top 1200 Advisor list, and to maintain WSPs that contain criteria for using problem codes related to Regulation Best Interest when reporting certain customer complaints under FINRA Rule 4530.¹⁸ The Firm responded in writing that it enhanced its process for verifying the information submitted to Barron's and it committed to provide additional guidance and training to its staff related to using appropriate codes for reporting customer complaints.¹⁹

B. FINRA Non-Routine Examinations

On February 17, 2023, FINRA completed a non-routine examination that resulted in a CAL being issued to the Firm for one exception.²⁰ The exception pertained to the Firm's failure to implement an automated alert surveillance system tailored to effectively detect and cause the reporting of potential suspicious activity.²¹ The Firm responded in writing that it adjusted the model used for automated surveillance, commenced a lookback review of alerts, and is assessing the current governance processes of implementation and subsequent upgrades/changes to the model used by the broker-dealer business.²²

On February 15, 2023, FINRA completed a non-routine examination that resulted in a CAL being issued to the Firm for failing to 1) store internal employment applications in non-erasable/non-rewritable format, 2) retain internal employment applications for the requisite regulatory record retention period, and 3) ensure that associated persons' employment applications were approved in writing by an authorized representative of the Firm and contained ten years of employment history along with information about the applicants' criminal history.²³

¹⁷ See Disposition Letter for Examination No. 20230770203 dated May 7, 2024, Examination Report dated March 28, 2024, and Firm Response dated April 25, 2024, collectively attached as Exhibit 7.

¹⁸ *Id.* at FINRA pp. 5-6.

¹⁹ *Id.* at FINRA pp. 8-11.

²⁰ See Disposition Letter for Examination No. 20210716782 dated February 17, 2023, Examination Report dated December 22, 2022, and Firm Responses dated January 31, 2023 and February 3, 2023, collectively attached as Exhibit 8.

²¹ *Id.* at FINRA p. 5.

²² *Id.* at FINRA pp. 11-12.

²³ See CAL and Examination Report for Examination No. 20220745640 dated February 15, 2023, collectively attached as Exhibit 9. The Firm was not required to provide a written response.

Regulatory Actions

In the past two years, Wells Fargo has been the subject of one other disciplinary action besides the SEC Order that resulted in the Application: an August 2023 SEC order, which also subjected the Firm to statutory disqualification but did not require the filing of a SEA Rule 19h-1 Notice with the Commission. In addition, the Firm was the subject of one more SEC order in the past five years that also subjected the Firm to statutory disqualification but did not require filing an SEA Rule 19h-1 Notice with the Commission.

A. August 2023 SEC Order

On August 25, 2023, the SEC issued an order finding that the Firm willfully violated Sections 206(2) and 206(4) of the Investment Advisers Act of 1940 (“Advisers Act”) and Rule 206(4)-7 thereunder by overcharging 10,945 advisory client accounts by more than \$26.8 million in advisory fees from 2002 through 2014.²⁴ The Firm was censured, ordered to cease and desist from committing further violations, and ordered to pay a \$35 million civil monetary penalty.²⁵

B. Other Statutory Disqualification Matters

On February 27, 2020, the SEC issued an order finding that the Firm willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder by failing to adopt written compliance policies and procedures reasonably designed to prevent unsuitable recommendations of single-inverse ETFs, and failing to implement its existing written policies and procedures.²⁶ The Firm also failed reasonably to fulfill its supervisory responsibilities within the meaning of Section 203(e)(6) of the Advisers Act and Section 15(b)(4)(E) of the Exchange Act, with a view to preventing its financial advisors’ unsuitable recommendations to investors.²⁷ The Firm was censured, ordered to cease and desist from committing further violations, and ordered to jointly and severally pay a civil monetary penalty of \$35 million.²⁸

²⁴ See SEC Order, *In re Wells Fargo Advisors Financial Network, LLC et al.*, Exchange Act Release No. 98221 (Aug. 25, 2023), attached as Exhibit 10. This order subjects the Firm to statutory disqualification as defined in Exchange Act Section 3(a)(39)(F), incorporating by reference Section 15(b)(4)(D).

²⁵ *Id.* at pp. 6-7. On September 13, 2023, the Firm submitted an affirmation to FINRA that sanctions were no longer in effect. Since there are no sanctions in effect for statutory disqualification purposes, an application to continue in membership is no longer required under FINRA rules. See also [FINRA Regulatory Notice 09-19](#) (June 15, 2009). As such, a 19h-1 Notice was not filed in connection with this matter.

²⁶ See SEC Order, *In re Wells Fargo Advisors Financial Network, LLC et al.*, Exchange Act Release No. 88295 (Feb. 27, 2020), attached as Exhibit 11 at p. 8. This order subjects the Firm to statutory disqualification as defined in Exchange Act Section 3(a)(39)(F), incorporating by reference Sections 15(b)(4)(D) and (E).

²⁷ *Id.* at p. 8.

²⁸ *Id.* at pp. 9-12. On March 27, 2020, the Firm submitted an affirmation to FINRA that sanctions were no longer in effect. Since there are no sanctions in effect for statutory disqualification purposes, an application to continue in membership is no longer required under FINRA rules. See also [FINRA Regulatory Notice 09-19](#) (June 15, 2009). As such, a 19h-1 Notice was not filed in connection with this matter.

V. Prior SEA Rule 19h-1 Notices

Wells Fargo has not been subject to any prior SEA Rule 19h-1 or 19d-1 Notices.

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 ("Supervision Plan" or "Plan") as a condition of its continued membership with FINRA:²⁹

Wells Fargo Advisors Financial Network, 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

²⁹ See Executed Consent to Plan of Heightened Supervision dated April 22, 2024, attached as Exhibit 12.

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 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.
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.

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.³⁰ 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, and none of the other regulatory matters would prevent the continuance of the Firm as a FINRA member. 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.

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

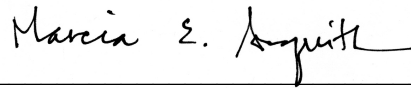
³⁰ See Exhibit 2 at p. 6.

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.

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



Marcia E. Asquith
Executive Vice President & Corporate Secretary

Appendix A

**Statutorily Disqualified Individuals
Associated with Wells Fargo Advisors Financial Network, LLC**



EHIBITS
SD-2369

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 Excerpt – Types of Business.
7. Disposition Letter for Examination No. 20230770203 dated May 7, 2024, Examination Report dated March 28, 2024, and Firm Response dated April 25, 2024.
8. Disposition Letter for Examination No. 20210716782 dated February 17, 2023, Examination Report dated December 22, 2022, and Firm Responses dated January 31, 2023 and February 3, 2023.
9. CAL and Examination Report for Examination No. 20220745640 dated February 15, 2023.
10. SEC Order, *In re Wells Fargo Advisors Financial Network, LLC et al.*, Exchange Act Release No. 98221 (Aug. 25, 2023).
11. SEC Order, *In re Wells Fargo Advisors Financial Network, LLC et al.*, Exchange Act Release No. 88295 (Feb. 27, 2020).
12. Executed Consent to Plan of Heightened Supervision dated April 22, 2024.