

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 102009 / December 20, 2024**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 6800 / December 20, 2024**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-22373**

**In the Matter of**

**Wells Fargo Clearing Services,  
LLC**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS,  
PURSUANT TO SECTIONS 15(b) AND 21C  
OF THE SECURITIES EXCHANGE ACT OF  
1934 AND SECTION 203(e) OF THE  
INVESTMENT ADVISERS ACT OF 1940,  
MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS AND A CEASE-  
AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), and Section 203(e) of the Investment Advisers Act of 1940 (“Advisers Act”) against Wells Fargo Clearing Services, LLC (“Wells Fargo” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Respondent admits the facts set forth in Section III below, acknowledges that its conduct violated the federal securities laws, admits the Commission’s jurisdiction over it and the subject matter of these proceedings, and consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 and Section 203(e) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

#### Summary

1. This proceeding arises out of Respondent's failure to submit to the Commission complete and accurate data in response to Commission staff electronic blue sheets ("EBS") requests, resulting in the reporting of EBS that was incomplete or deficient. Respondent self-identified and self-reported all but one of the errors that underly this Order, including five errors that were self-reported prior to any regulatory inquiry concerning its EBS.

2. Commission staff routinely sends requests for securities trading records to market makers, broker-dealers and/or clearing firms to identify buyers and sellers of securities, and firms provide the requested records in a universal electronic format known as the EBS format. It is a fundamental obligation of broker-dealers to provide complete and accurate EBS data when requested by representatives of the Commission to do so. The submission of complete and accurate EBS data is critical to many aspects of the Commission's operations and its ability to discharge its enforcement and regulatory mandates. The failure of a broker-dealer to provide complete and accurate EBS information in response to a Commission request can impact the Commission's ability to discharge its statutory obligations, undermine the integrity of its investigations and examinations, and ultimately interfere with the Commission's ability to protect investors.

3. From July 20, 2018 through February 24, 2023 (the "Relevant Period"), in response to requests from the Commission, Respondent made approximately 11,195 EBS submissions to the Commission that contained inaccurate information or omissions, resulting from approximately 15 types of errors. Those errors resulted in the misreporting of trade data for at least 10.6 million transactions.

4. As a result of its inaccurate and/or incomplete EBS submissions to the Commission, Respondent violated the recordkeeping and reporting requirements of Section 17(a)(1) of the Exchange Act and Rules 17a-4(j) and 17a-25 thereunder.

#### Respondent

5. **Wells Fargo** is a Delaware company with its principal office in St. Louis, Missouri, and has been registered with the Commission as a broker-dealer since 1987 and as an investment adviser since 1990. It is a wholly-owned subsidiary of Wells Fargo & Company.

#### Facts

##### **A. Wells Fargo's Deficient EBS Submissions**

6. During the Relevant Period, in response to requests from the Commission, Wells Fargo made approximately 11,195 EBS submissions to the Commission that contained inaccurate

information or omissions, resulting from approximately 15 types of errors. Those errors resulted in the misreporting of trade data for at least 10,615,768 and as many as 10,949,435 transactions.

7. Wells Fargo's submissions during the Relevant Period, among other things, contained missing or inaccurate EBS fields related to information about securities transactions reported, such as order execution times and buy/sell codes. For instance, Wells Fargo misreported the order execution time of approximately 6,967 dividend reinvestment account transactions as related to trade processing time rather than execution time. Wells Fargo also reported an invalid buy/sell code value for approximately 850 options transactions.

8. In addition, a substantial amount of misreported transactions were the result of errors that affected the exchange code field. For example, for more than 2.5 million transactions, the customer legs of average price trades contained an exchange code rather than being blank. Moreover, for greater than 5.8 million transactions, Wells Fargo's EBS either: (i) contained an exchange code rather than being blank for principal trades; or (ii) reported a Nasdaq exchange code where Nasdaq was listed as the primary exchange of a security, but Wells Fargo did not have confirmation that the transactions were executed on Nasdaq.

9. Wells Fargo also provided EBS data during the Relevant Period with missing and/or inaccurate EBS fields related to firm and/or customer identifying information such as taxpayer identification numbers, large trader identifiers, state codes, zip/country codes, and client and/or customer names and addresses. For instance, for approximately 2.3 million transactions Wells Fargo used a field indicator that identified its taxpayer identification number as a social security number. Additionally, for approximately 1.15 million transactions in accounts with multiple large trader identifiers, Wells Fargo reported the large trader identifier of only the large trader that effected the transaction rather than all of the large trader identifiers associated with the account. Further, Wells Fargo's EBS also indicated that, for approximately 96,000 transactions, there were three or fewer large trader identifiers associated with an account when there were more than three associated large trader identifiers. Moreover, for greater than 2.7 million transactions, Wells Fargo's EBS inaccurately indicated that an omnibus account was not an average price account. Wells Fargo also reported approximately 70,000 transactions with a missing state code, and approximately 71,000 transactions with a missing zip/country code.

10. At the time of its EBS submissions, Wells Fargo did not detect the above errors at least in part because it did not have a reasonable process to verify that all of the information it was reporting was accurate. For example, Wells Fargo did not conduct adequate periodic sampling or have proper quality controls in place to ensure the completeness and accuracy of its EBS data prior to its submissions.

## **B. Respondent's Remediation Efforts**

11. Wells Fargo engaged in voluntary remedial efforts concerning its EBS systems and control environment. Specifically, Wells Fargo self-identified and self-reported all but one of the errors that underly this Order, including five that were self-reported prior to any regulatory inquiry concerning its EBS. Wells Fargo also retained an outside consultant to conduct a review of Wells Fargo's EBS program. Moreover, Wells Fargo implemented additional supervisory reviews and

increased the frequency of those reviews. Wells Fargo also designed and implemented a new EBS governance framework that includes more frequent: monitoring and assessment of EBS regulatory reporting requirements; consideration of the state and effectiveness of the processes, technology, and controls designed to comply with those requirements; and review of Wells Fargo's EBS metrics. Wells Fargo is also developing and implementing automated quality-assurance controls, including pre- and post-submission EBS controls. Wells Fargo remediated the deficiencies addressed by this Order, and resubmitted corrected EBS to the Commission.

### **Violations of the Federal Securities Laws**

12. Section 17(a)(1) of the Exchange Act requires, among other things, that broker-dealers make and keep for prescribed periods such records, furnish such copies thereof, and make and disseminate such reports as the Commission, by rule, prescribes as necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the Exchange Act. Exchange Act Rule 17a-4(j) requires, in part, broker-dealers such as Wells Fargo to furnish promptly legible, true, complete, and current copies of those records of the member, broker, or dealer that are required to be preserved under Exchange Act Rule 17a-4, or any other records of the member, broker, or dealer subject to examination under Section 17(b) of the Exchange Act that are requested by a representative of the Commission. Likewise, Exchange Act Rule 17a-25 requires broker-dealers such as Wells Fargo to, upon request, electronically submit to the Commission the securities transaction information as required in the rule.

13. As described above, Wells Fargo failed to furnish complete records to the Commission staff that were requested by the Commission in its EBS requests. Therefore, Wells Fargo willfully<sup>1</sup> violated the recordkeeping and reporting requirements of Section 17(a)(1) of the Exchange Act and Rule 17a-4(j) thereunder by failing to furnish promptly true and complete EBS information as requested by Commission staff over a period of at least five years. In addition, Wells Fargo willfully violated Exchange Act Rule 17a-25 by failing to submit electronically certain securities transaction information to the Commission through the EBS system in response to requests made by the Commission.

### **Wells Fargo's Remedial Efforts**

In determining to accept the Offer, the Commission considered remedial acts undertaken by Respondent and cooperation afforded the Commission staff.

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<sup>1</sup> "Willfully," for purposes of imposing relief under Section 15(b) of the Exchange Act and Section 203(e) of the Advisers Act, "means no more than that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965).

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Wells Fargo's Offer.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act and Section 203(e) of the Advisers Act, it is hereby ORDERED that:

A. Respondent Wells Fargo cease and desist from committing or causing any violations and any future violations of Section 17(a)(1) of the Exchange Act and Rules 17a-4(j) and 17a-25 promulgated thereunder.

B. Respondent Wells Fargo is censured.

C. Respondent Wells Fargo shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$900,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Wells Fargo as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Thomas P. Smith, Jr., Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, 100 Pearl Street, Suite 20-100, New York, NY 10004.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this

action (“Penalty Offset”). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission’s counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a “Related Investor Action” means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman  
Secretary