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Illinois to Suspend Wells Fargo From Bond, Investing Work.

Illinois is joining California in suspending Wells Fargo & Co. from handling “billions” of dollars in investment work and the underwriting of state debt after the company admitted to opening potentially millions of bogus customer accounts.

Treasurer Michael Frerichs said in a statement the he will announce details of the ban during a news conference in Chicago on Monday. The suspension includes municipal-bond underwriting, according to Greg Rivara, a spokesman for the treasurer.

“In isolation, Illinois is not as significant as California, but its part of a mosaic that’s starting to take form,” Charles Peabody, a managing director at Compass Point Research LLC, said in a telephone interview, noting that it’s surprised industry watchers that the cross-selling scandal has begun to impact Wells Fargo’s corporate bank. “And the mosaic that’s being built out does not paint a bright picture for 2017 earnings.”

The pullback comes as pressure builds on Wells Fargo Chief Executive Officer John Stumpf and the bank’s board to resign because of the fake-account debacle. Stumpf told Congressional lawmakers this week that the San Francisco-based bank was working to help any customers who where hurt by its actions and is “deeply sorry” that Wells Fargo broke clients’ trust. Stumpf has forfeited \$41 million in pay.

“We certainly understand the concerns that have been raised,” said Gabriel Boehmer, a spokesman for Wells Fargo. “We are very sorry and take full responsibility for the incidents in our retail bank. We have already taken important steps, and will continue to do so, to address these issues and rebuild trust with the State of Illinois.”

Authorities including the U.S. Consumer Financial Protection Bureau fined Wells Fargo \$185 million on Sept. 8 for potentially opening about 2 million deposit and credit-card accounts without authorization. Federal prosecutors in New York and San Francisco have opened criminal inquiries, a person familiar with the matter has said. Wells Fargo already faces a raft of lawsuits by fired or demoted workers, customers and investors.

California Treasurer John Chiang suspended Wells Fargo for one year on Wednesday and called for Stumpf to quit. Connecticut decided last week to add Morgan Stanley to serve as lead underwriter with Wells Fargo on a state bond issue planned for next month to help ensure a successful sale. Other states such as Alaska and Oregon said they’re maintaining business with Wells Fargo.

Wells Fargo wasn’t ranked among the top four underwriters of municipal debt in Illinois during the first half of 2016, according to data compiled by Bloomberg. The company was the second-largest underwriter in California during that period, handling sales of \$3.9 billion in securities, or 11 percent of total issuance.

The bank ranked fifth in overall municipal-bond underwriting this year through June, selling \$13.7 billion in debt, for 5.9 percent market share, according to data compiled by Bloomberg.

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