California Suspends Ties With Wells Fargo.

Citing Wells Fargo's "venal abuse of its customers," the California treasurer took the unusual step on Wednesday of suspending many of its ties with the San Francisco bank as it continues to reel from the scandal over the creation of as many as two million unauthorized bank and credit card accounts.

The state treasurer, John Chiang, said he was suspending Wells Fargo's "most highly profitable business relationships" with the state for at least a year, including the lucrative business of underwriting certain California municipal bonds.

On Tuesday alone, he said, he had pulled Wells Fargo off two large municipal bond deals.

"How can I continue to entrust the public's money to an organization which has shown such little regard for the legions of Californians who placed their financial well-being in its care?" Mr. Chiang wrote in a letter on Wednesday to the bank's chairman and chief executive, John G. Stumpf, and the bank's board members.

Mr. Chiang said he was also suspending making any additional investments in Wells Fargo securities and would suspend the bank's work as a broker-dealer hired to buy investments on the treasurer's behalf.

The suspensions will last for one year, Mr. Chiang said, or longer if he finds evidence that Wells Fargo has "re-engaged in the same behavior" or failed to abide by the terms of a consent order it signed with the Consumer Financial Protection Bureau and the Office of the Comptroller of the Currency.

The move could cost Wells millions of dollars in banking fees because California is the largest issuer of municipal debt in the country. A state official said the suspension did not affect Wells Fargo's role in every municipal bond deal, but it would cut them out of a significant portion. In addition to overseeing bond deals, the state treasurer also manages $75 billion worth of investments.

But more than anything the move is symbolically hurtful for Wells, which has a large presence in California, particularly in San Francisco, where its top executives work and live.

Mr. Chiang, a Democrat who is running for governor in 2018, said his office had "long relied on Wells Fargo, our oldest California-based financial institution, as a partner to meet the state's investment and borrowing needs."

So far this year, California has sold about $50 billion in municipal debt out of total of about $318 billion issued nationwide, according to Municipal Market Analytics, a research firm.

Mr. Chiang noted that he sits on the board of the state's giant public pension funds, Calpers and Calstrs, which have a combined $2.3 billion invested in Wells Fargo stock and debt securities. He said he would use his position on the pension boards to push for governance changes at Wells Fargo, including separation of the chairman and chief executive roles. Currently, Mr. Stumpf holds both positions.

In a statement, the bank responded: “Wells Fargo has diligently and professionally worked with the state for the past 17 years to support the government and people of California. Our highly experienced and proven government banking, securities and treasury management teams stand ready to continue delivering outstanding service to the state.”

Separately, on Thursday, Mr. Stumpf is scheduled to testify in Washington before the House Financial Services Committee, having already appeared last week before the Senate’s banking panel. The responses he gave to the Senate committee investigating the bank’s misdeeds were widely viewed as a disaster. Nevertheless, according to a copy of his prepared remarks, he plans to stick with the same script he used last week.

His planned testimony, which was obtained by The New York Times, is a nearly word-for-word repetition of the introduction he prepared for last week’s Senate hearing, with just one notable difference: Hastening a policy change, Mr. Stumpf plans to say that Wells Fargo will eliminate sales goals for its retail bankers by Oct. 1, three months earlier than it had planned.

Those aggressive sales goals, which pushed Wells Fargo employees to open as many accounts as possible for customers or risk losing their jobs, have been blamed for the scandal now engulfing the bank, where myriad banking and credit card accounts may have been opened without the customers’ authorization.

“We decided that product sales goals do not belong in our retail banking business,” Mr. Stumpf will say, according to the testimony.

As he did at the Senate hearing, Mr. Stumpf plans to say he is “deeply sorry” and will “accept full responsibility for all unethical sales practices.”

Under fire over the unauthorized accounts, Wells Fargo’s board announced on Tuesday that it was stripping Mr. Stumpf of unvested stock awards valued at $41 million. He will also forgo his bonus this year and a portion of his $2.8 million base salary.

The clawback of both Mr. Stumpf’s compensation and that of Carrie L. Tolstedt, who until recently ran Wells Fargo’s retail banking division, was a move that members of the Senate panel suggested last week. The fact that the board decided to do so right before the House hearing does not seem coincidental.

And the move to retract a portion of Mr. Stumpf’s lavish compensation — at the time of Wells Fargo’s latest annual disclosure, he held shares and options valued at around $247 million — has not appeased some senators who criticized Mr. Stumpf last week.

“This is a small step in the right direction, but nowhere near real accountability,” Senator Elizabeth Warren, Democrat of Massachusetts, said in a statement.

She again called for Mr. Stumpf to resign, to “return every nickel he made while this scam was ongoing” and to face a criminal investigation.

On Wednesday, in what felt a bit like a warm-up for Mr. Stumpf’s appearance on Thursday, the House Financial Services Committee grilled the Federal Reserve chairwoman, Janet L. Yellen, about the handling of the Wells Fargo scandal. Some lawmakers called for tougher punishment of big banks and their executives when they run afoul of the law.

“Will you at least seriously consider breaking up Wells Fargo?” asked Representative Brad Sherman, Democrat of California.

Ms. Yellen responded that regulators would hold financial institutions to “exceptionally high standards of risk management, internal controls, consumer protection.”

Others on the committee continued to press the issue.

“How long does this stuff have to go on before you get outraged and take action?” asked Representative Michael Capuano, Democrat of Massachusetts. He said that the $185 million fine against Wells Fargo, which has $1.9 trillion in assets, “is barely a footnote in their annual report.”

Ms. Yellen said that regulators had already begun a review of practices at all of the largest banks.

“We are undertaking a look comprehensively, not only in the consumer area but compliance generally, because there has been a very disturbing pattern of violations,” she said.

And regulators are working to complete a long-pending rule on executive compensation designed to limit excessive risk-taking at financial firms, Ms. Yellen said. “I will do everything that I can at the Federal Reserve to be ready to act on this as soon as possible,” she added.

Wells Fargo has been in crisis mode since it acknowledged this month that its employees had, over the course of several years, opened as many as 1.5 million bank accounts and 565,000 credit card accounts that may not have been approved by customers. The company has fired 5,300 employees for ethics violations.

Mr. Stumpf’s efforts to minimize these actions did not play well at last week’s Senate hearing. Facing a barrage of criticism about Wells Fargo’s leadership and what ex-employees describe as a toxic sales culture of relentless pressure to meet unrealistic goals, Mr. Stumpf maintained that the problem did not extend beyond rogue employees whose activities “did not honor our culture.”

Banking analysts were not enthusiastic about the idea of him continuing that line of argument at Thursday’s House hearing.

“Given the nearly universal assessment that Mr. Stumpf’s Senate appearance was lackluster, sticking with the script may prove imprudent,” Isaac Boltansky, an analyst at Compass Point Research & Trading, wrote in a note to clients after reading the prepared remarks.

One big question facing Mr. Stumpf is whether he will remain at the helm of the bank. Some analysts who follow the bank are beginning to openly speculate about Mr. Stumpf’s possible ouster.

“Our support for the C.E.O. is now wavering,” Mike Mayo, a banking analyst at CLSA, wrote in a research note on Monday. “His actions have been reactionary versus leading.”

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