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Comerica Account Shortfall Is Probed

By Gina Heeb
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Regulators are probing Comerica after a botched technology upgrade left the bank's wealth-management unit short millions of dollars.

The Office of the Comptroller of the Currency has been looking into a wealth-management platform change at the bank that led to widespread errors on transactions for trust clients, according to people familiar with the matter and internal emails reviewed by The Wall Street Journal. Executives at the Texas-based bank told staff the errors could force them to potentially write down any funds they weren't able to chase down.

The issues involved clients whose trust assets are administered by Comerica and managed by third parties such as Morgan Stanley or UBS. When clients withdraw funds from those trusts, Comerica advances the money and then gets reimbursed by the manager. For months after the May platform change, Comerica ran into issues pulling in the reimbursements, leaving a hole in its own funds, the people said.

A general ledger account for wealth management was still "significantly overdrawn," managing director Brian Wolfe said in an email to employees Nov. 3. The fund snafu hasn't previously been reported.

Comerica said its trust-administration unit had $175 billion in assets under administration as of Sept. 30.

Some trust-account payments also failed to go through on the new platform, while others posted more than once or with the wrong amount of money, the people said. The bank halted wealth-management fees for some accounts, concerned that balances and the fees could have been distorted by the errors.

The platform has crashed repeatedly, including as recently as Tuesday.

Greg Carr, executive vice president of wealth management at Comerica, said the unit experienced "really standard issues that occur during a conversion of this significance" and that some of those issues had been resolved. No bank or client money was ever missing, he said.

"Following the conversion, it was challenging," he said, adding that the bank has worked "swiftly to remediate any and all of those issues."

In the November email, Wolfe directed employees to try to collect the funds, warning they could be written off as losses at the end of the month if they weren't collected. Executives have internally expressed concerns that Comerica could face litigation from trust clients, the people said.

Less than $500,000 has been written off so far, according to the bank.

Comerica, with $86 billion in assets, and other big regional banks have struggled this year under rising interest rates. The failure of three banks this spring led customers to pull funds from many regional institutions in search of safety, driving up costs for banks of all sizes. Comerica's profit dropped 28% from a year earlier in the third quarter.

That has made the competition for wealthy customers, like those in Comerica's trust business, even more fierce. But regional banks are behind megabanks on technology, especially when it comes to more complex businesses such as wealth management. Comerica's wealth-management unit makes up about 14% of its revenue and its profit was down nearly 17% in the third quarter.

The update that caused the issue has been planned for years but repeatedly put on hold after unsuccessful test runs, some of the people said.

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