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**Wells Fargo Pressured for Failing to Monitor Crime**

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Wells Fargo is struggling with its regulatory obligation to monitor financial crime, the latest challenge in the bank's yearslong effort to recover from a series of scandals.

Regulators issued the bank formal orders to be better at catching criminals who may be using its accounts or products, according to people with knowledge of the matter. At the same time, the bank is facing a lawsuit claiming it allowed an alleged $490 million Ponzi scheme to operate.

The regulators are focused on the bank's consumer-watching systems, not any specific client or event, but the lawsuit's allegations suggest what can go wrong when a bank's monitoring systems fail.

A Wells Fargo spokeswoman said the bank disputes the lawsuit's allegations and has cooperated with law-enforcement officials in their investigation.

Banks play a crucial behind-the-scenes role in monitoring the movement of money to prevent crimes such as laundering and terrorism.

The regulators privately rebuked Wells Fargo several times since early last year for improper oversight of criminal activity in its consumer bank, the people said.

Concerns were identified by the Federal Reserve and the Office of the Comptroller of the Currency in what are known as matters requiring attention and matters requiring immediate attention. The bank's fix-it work is continuing, and a public penalty such as a consent order hasn't been ruled out, the people said.

Last year, after the concerns were identified, Wells Fargo replaced its executive responsible for compliance with the Bank Secrecy Act, which requires banks to keep records and file reports relating to illegal activity. Neither the regulatory rebukes nor the personnel move was previously disclosed.

Wells Fargo is rebuilding its sprawling risk and control apparatus so it can better prevent and catch problems. The 2016 revelation that employees created millions of fake customer accounts to meet sales goals led to heightened scrutiny in every corner of the bank.

Regulators determined the bank had inadequate risk management and, as punishment, the Fed capped the size of the bank's balance sheet. That penalty, the stiffest of Wells Fargo's nine outstanding consent orders, has been in place for more than five years.

Wells Fargo was penalized for failing to comply with the Bank Secrecy Act and **anti**-**money**-**laundering** rules. An OCC consent order that ran from 2015 to 2021 focused on problems in its commercial bank, a unit separate from the consumer bank.

The Ponzi-scheme lawsuit alleges Wells Fargo fell short of its responsibilities.

Matthew Beasley allegedly ran a Ponzi scheme that funneled money through his Wells Fargo account, before the alleged scheme collapsed last year. Agents from the Federal Bureau of Investigation shot him during an attempted search at his Las Vegas house. He survived the shooting and is awaiting trial on several counts of fraud. He has pleaded not guilty.

A court-appointed receiver looking to recover funds for victims of the alleged scheme sued Wells Fargo, saying it aided and abetted the fraud by maintaining the account.

"It will all be clear as soon as they go through my emails and my bank records," Beasley told an FBI negotiator on the phone as he lay bleeding on the floor of his home, according to a transcript of the conversation.

Wells Fargo denied in court filings that "it had actual knowledge of, or provided assistance to, any alleged wrongdoing by Beasley."

Beasley, an attorney, allegedly operated a scheme through an interest on lawyers' trust account, which had been opened at Wells Fargo for his small legal practice in 2017. This type of special account is intended to allow attorneys to hold funds on their clients' behalf.

Beasley told the bank that he was a solo practitioner attorney with around $350,000 in annual revenue, the lawsuit said. Transactions quickly eclipsed that figure. An average of roughly $584,000 flowed into the account each month in its first year, the suit said. In 2022, shortly before the fund collapsed, the account was receiving more than $28.4 million a month, the suit said. Many of the transactions noted the funds were supposed to be invested, the suit said. Beasley allegedly withdrew millions of dollars to pay gambling debts and fund a lavish lifestyle.

The lawsuit said Wells Fargo failed to put a stop to it despite its having "a bird's-eye view of the fraud." Concerns raised by some employees were alleged to have been repeatedly overruled by superiors, according to the lawsuit.

Beasley maintained a close relationship with bankers at Wells Fargo, the suit said. The attorney allegedly had a standing weekly meeting with one of his bankers. Wells Fargo's business banking team once invited Beasley to a pro hockey game, the lawsuit said.

The parties are in settlement talks, according to filings.

In updates to victims of the scheme, receiver Geoff Winkler said he expects the bank to settle the suit, potentially paying in excess of $100 million.

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