November 27, 2017

Councilmember Paul Krekorian, Chair
Budget & Finance Committee
Los Angeles City Council
200 N. Spring St
Los Angeles, CA 90012

RE: Responsible Banking Investment Monitoring Program (09-0234)

Dear Councilmember Krekorian:

On behalf of the Los Angeles Area Chamber of Commerce, I am writing to share our thoughts on the draft amendments to the City’s Responsible Banking Ordinance (RBO). We concur with your commitment to doing business with institutions that strive for financial and social responsibility in the Los Angeles community. We also want to ensure that language in the RBO doesn’t limit or financially weaken the City’s banking and investment practices by being too broad or repetitive of existing state and federal regulations.

Disclosure of pending investigations: As drafted, the RBO would require the reporting of pending investigations and enforcement actions by federal, state and local governments. Without specifying what types of investigations the City is seeking information on, the result could be a burdensome amount of paperwork to both the commercial banking providers and City staff, covering issues that don’t relate to directly to the City of Los Angeles account. The Consumer Financial Protection Bureau would seem to be a better resource to discern relevant enforcement actions and consent orders dealing with the institutions looking to do business with the City.

Certification of compliance: Banking institutions have thousands of employees in hundreds of locations. Requiring a bank to certify under penalty of perjury, that the entity is in compliance with all applicable consumer financial protection laws is overly broad and could place unreasonable liability on an institution due to one bad actor. Instead, a certification of the existence of policies and procedures designed to promote compliance should be sufficient in meeting the City’s goal.

We do not believe that the RBO should require banks do not use compensation-based sales practices for consumer financial products. The compensation for most employees in the private sector is based in part on by performance. If an institution is complying with state and federal consumer financial protection laws, we do not believe the City should be dictating business models.

As an organization deeply invested in the fiscal health of Los Angeles, we would expect the City to reach out to institutions that are capable of managing the volume and complexity of its wide-ranging financial needs. It is important that this RBO be clear, fair and designed to meet the City’s goals without limiting the City’s options.
Sincerely,

Gary Toebben  
President & CEO

CC:  
Councilmember Mitch Englander, Vice-Chair  
Councilmember Paul Koretz  
Councilmember Bob Blumenfield  
Councilmember Mike Bonin