November 27, 2017

Dear Council Members and the Office of Finance:

We appreciate the diligence with which you have approached the RFP for banking services, and your thoughtfulness within the Social Responsibility scoring phase. Regarding the RFP generally, we support reporting requirements that can shed light on financial institutions' abuse of sales goals to the detriment of consumers. In addition, there are three main issues that we would like to address within the Social Responsibility scoring phase, listed below in the order of importance.

1. An environmental and Indigenous Peoples Justice component of Phase 2 - Social Responsibility, worth 10 points.
2. A requirement of financial institutions to report on their Social Responsibility prerequisites for the City to review annually. Financial institutions could face termination for cause if they do not maintain a minimum of 15 Social Responsibility points, or they could be barred from future RFPs, if it would otherwise be a hardship to the City to seek a new financial institution for the services provided.
3. A minimum 15 point requirement in the Social Responsibility section in order to be further considered in the RFP.

These points are further discussed below and changes to the proposed scoring system are noted in green.

Phase 1- Organizational Capability		**Phase 2 - Social Responsibility**
Financial Strength	**30 points**	**Social Responsibility 30 points**
Customer Service	**10 points**	
References/Experience	**5 points**	**Comprised of:**
Implementation Plan	**5 points**	• **Enforcement Actions 10 points**
General Requirements	**5 points**	• **Community Lending, Investing and Banking Services 10 points**
Services/Products	**30 points**	• **Environmental and Indigenous Peoples Justice 10 points**
Cost	**15 points**	
Respondents with a total score of at least 70 points will be invited to participate in the second phase of scoring.		**Respondents must meet a 15 point minimum in order to be further considered in the RFP.**

Under this scoring system, after financial institutions meet the Phase 1 Organizational Capability threshold, they will move on to Phase 2 Social Responsibility. **If the financial institution does not meet a minimum 15 points in the Social Responsibility scoring, that financial institution will not be further considered.**

The Environmental and Indigenous Peoples Justice section would have one of the following scoring systems:

1. Financial institutions would report on the amount of dollars used to finance or invested in the energy and transportation sectors, creating a carbon emitting to carbon reducing ratio. The following would be considerations for carbon emitting or nuclear investments or financing:

11/27/17

Submitted in Budget & Finance Committee

Council File No: 09-0234-S3

Item No.: 7

~~Deputy~~: Communication from the Public

- Exploration, production, distribution, trading, transporting, refining or otherwise facilitating the use of fossil fuels including coal, oil, natural gas, petroleum, liquefied natural gas.
- Exploration, production, distribution, trading, transporting or otherwise facilitation the use of nuclear energy.

The following would be considerations for carbon reducing investments:

- Researching, developing, manufacturing, producing, or otherwise facilitating the use or storage of solar, wind, geothermal, tidal, wave or other sustainable energy, the electrification of transport including automobiles, aviation, ocean transport, freight transport and mass transport, or the direct sequestration of carbon dioxide through reforestation, soil regeneration, urban forestry, wetland restoration and other active methods for greenhouse gas absorption.

The second half of the scoring would seek to identify the most destructive environmental projects and practices that also negatively impact Indigenous communities or Nations. Financial institutions must report all investments and financing in the following:

- Distribution, marketing or trading of oil and gas from shale and/or oil from tar sands

- Construction and/or operation of liquid natural gas (LNG) terminals that predominantly liquefy and export gas from shale

- Construction and/or operation of pipelines that primarily carry oil and gas from shale and/or oil from tar sands

- Exploration and/or production of oil or gas from any projects in the Arctic region

- Exploration, production, transport and/or distribution of fossil fuels on indigenous lands without Free, Prior and Informed Consent as per the United Nations Declaration on the Rights of Indigenous Peoples

Each instance of financing or investing in the second half would negatively impact the score. This component of the scoring system would specifically take account of fossil fuel projects such as the Dakota Access Pipeline, Keystone XL and Line 3, three pipeline projects that are environmentally destructive and directly violate Indigenous rights.

For example, for the first half, a financial institution may report $30 billion invested in carbon emitting investments and $20 billion invested in carbon reducing investments, creating a 3:2 ratio. That ratio would then be compared to other financial institutions' ratios and then rated and given points accordingly. There would be further negative scoring from the second half for the most destructive environmental projects that also impact indigenous communities.

2. Or a third party Environmental, Social and Governance rating system, such as Sustainalytics http://www.iccr.org/sites/default/files/resources_attachments/ICCRsRankingTheBanks120413.pdf

In accordance with the City's own mandates for green energy, qualified bidders on our RFP should be weighted on their environmental score. Mayor Garcetti's Sustainable City Plan is a factor in pushing for the City's banking institutions to match its commitment to environmental sustainability and not undermine it.

The City also passed a No Dakota Access Pipeline (DAPL) resolution in 2016 to support any legislation or action that upholds the rights of the Standing Rock Sioux Tribe and to protect their sovereign resources. Therefore, we are asking for further negative scoring on carbon producing investments that impact Indigenous communities and Nations, including the financing of DAPL, Keystone XL, or other such investments. Environmental sustainability includes cultural sustainability for Indigenous peoples and their respective First Nations, particularly the Tongva/ Gabrielino peoples. Thus, cultural sustainability factors are equitable to environmental sustainability.

In addition, financial institutions must comply annually with a 15 point Social Responsibility score or be considered for termination based on cause or barred from participating in the next RFP process.

Finally, we strongly support efforts to protect consumers from predatory sales goals within financial institutions with which the City does business. Specifically, we support sales goals reporting in the RFP as follows:

9.1.4. Consumer Practices

A Respondent to this RFP must certify that it does not base evaluation, promotion, discipline, or compensation of any employee on illegal practices within the City. The decision that a banking practice is illegal shall be based on findings made by appropriate government agencies, and courts of law.

In addition, a Respondent to this RFP must disclose whether it utilizes any of the following components within its structure for sales of consumer financial products including, but not limited to, bank accounts with monthly fees, credit cards, and residential mortgage loans or lines of credit:

-whether or not the institution sets individual-level or branch-level goals or requirements for the sale of a consumer financial service

-whether or not the quantity of an employee's sales of consumer financial products or services is a consideration for their termination, discipline, or advancement

-the percentage of front-line employees' compensation that constitutes baseline pay, and the percentage of compensation that is based on sales levels for consumer financial products or services. Baseline vs. sales goal-based compensation percentages should be reported according to job classification (for example: Call Center Employee; Teller; Residential Mortgage Loan Specialist; etc.)

-whether employee and management training and protocols are in place to prevent abusive practices arising from sales goals systems

Respondents must complete and submit the Consumer Practices certification attached as Appendix L. (*Appendix L is modified to allow Responded to provide the above information)

All of these considerations should also be reflected in the Responsible Banking Ordinance and apply to commercial and investment banks, where appropriate.

Sincerely,

DIVEST LA

Committee for Better Banks

LOS ANGELES AREA
CHAMBER OF COMMERCE

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.

350 S. Bixel St. | Los Angeles, CA 90017 | P: 213.580.7500 | F: 213.580.7511 | lachamber.com

Sincerely,

Gary Toebben
President & CEO

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