

BUDGET AND FINANCE COMMITTEE REPORT relative to amending the Los Angeles Administrative Code (LAAC) regarding the Responsible Banking Investment Monitoring Program.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. REQUEST the City Attorney, with the assistance of the City Administrative Officer (CAO), to prepare and present an Ordinance, amending Section 20.95.1 of Chapter 5.1 of the LAAC regarding the Responsible Banking Investment Monitoring Program, in substantial conformance with the draft Ordinance dated May 11, 2017, to include the following changes:
  - a. Add subsections to the Responsible Banking Ordinance (RBO) that deal with disclosure in 10 days (by financial institutions) of any enforcement action that is taken against them (orders, findings, or settlements by state banking regulatory agencies, federal regulatory agencies, or courts of law).
  - a. Add a paragraph that financial institutions shall certify that illegal predatory consumer adverse practices are not used as a basis for compensation, promotion, or discipline and anything that is found to be illegal or predatory by government agencies or a court of law.
  - b. Ensure that any Request for Proposal (RFP) that is issued has lower evaluation scores for financial institutions that have violated these consumer laws and have had these legal actions taken against them.
2. INSTRUCT the Office of Finance (Finance) and CAO, with the assistance of the City Attorney, to report relative to the City developing its own definition of what constitutes predatory lending, and on the adaptation of AB 689 (Blumenfeld) relative to predatory lending and sales goals practices.
3. INSTRUCT Finance and CAO to report regarding a requirement for financial institutions to disclose the structure of their sales goals for consumer products (as proposed in the Communication from Councilmember Martinez dated November 6, 2017).
4. REQUEST the City Attorney to determine whether the requirement to disclose the structure of sales goals would compel financial institutions to provide possible proprietary information and put the City in the position of acting as a regulator for financial institutions.

Fiscal Impact Statement: None submitted by the City Attorney. Neither the CAO nor the Chief Legislative Analyst has completed a financial analysis of this report.

Community Impact Statement: None submitted.

## SUMMARY

At its regular meeting held on November 27, 2017, the Budget and Finance Committee

considered a City Attorney report and Ordinance dated May 11, 2017 relative to amending the Los Angeles Administrative Code regarding the Responsible Banking Investment Monitoring Program to require commercial and investment banks which seek City business to: disclose any pending government investigations into their business practices, certify they have written whistleblower protection policies, and certify they are in compliance with all applicable consumer protection laws.

The Assistant Director of Finance and the CAO's Chief of Debt Management addressed the Committee and responded to related questions regarding the matter. During discussion, the Chief of Debt Management proposed additional recommendations relative to further enhancing the RBO.

Additionally, during previous discussion on a related matter (issuance of an RFP for General Banking Services for Finance [Council file No. 17-1259]), the Committee requested that Finance report back on several issues including: developing and possibly codifying the City's definition of what constitutes predatory lending practices to determine if financial institutions have engaged in them, disclosure by financial institutions of their sales goals practices for consumer financial products to determine if those goals are realistic or could result in harmful activity to employees and customers, adaptation of AB 689 (Blumenfield) concerning the issue of predatory lending and sales goals practices, and establishment by the City of a community reinvestment plan and an associated committee. However, a Committee member noted that he would make a separate motion in Council on the community reinvestment plan and committee.

After consideration, and after providing an opportunity for public comment, the Committee recommended Council approve the request to the City Attorney to prepare and present a new draft Ordinance with the changes requested by the CAO. Further, the Committee requested that the report(s) detailed in Recommendation Nos. 2 and 3 be provided at the time the matter is scheduled for Council. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

BUDGET AND FINANCE COMMITTEE



<b>MEMBER</b>	<b>VOTE</b>
KREKORIAN:	YES
ENGLANDER:	YES
KORETZ:	YES
BLUMENFIELD:	YES
BONIN:	YES

REW 11/30/17 FILE NOS. 09-0234, 09-0234-S3

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**