

MOTION

Earlier this month, the City Attorney and the Consumer Protection Financial Bureau revealed that Wells Fargo Bank had been engaged in widespread, illegal activities related to their consumer banking business. According to the revelations of prosecutors and admissions by the bank itself, sales personnel at Wells Fargo were under immense pressure to sell as many Wells Fargo banking products to the bank's customers as possible. While the full scope of the wrongdoing on the part of Wells Fargo continues to emerge, it is clear that there were failures at every level of the bank's management.

Specifically, Wells Fargo employees' compensation and continuing employment at the bank were allegedly dependent on meeting aggressive sales quotas. Under the pressure of the quotas, personnel at the banks would routinely open fraudulent accounts for consumer banking customers without their knowledge or consent, forcing those customers to incur fees and generally creating confusion and hardship for many customers in Los Angeles and around the country.

While the focus of the investigations has rightly been on the consumer banking division of Wells Fargo, the bank also employs a significant staff and sales force dedicated to commercial and institutional customers, one of which is the City of Los Angeles. Given the nature and egregiousness of the offenses involved, the disregard for the law among Wells Fargo staff, and the potentially significant impact of the banking fees involved in phantom accounts, it makes sense to investigate whether the sales staff in the commercial banking division of Wells Fargo was similarly pressured to add products to customers, including the City's bank accounts.

I THEREFORE MOVE that the Council INSTRUCT the Treasury Division of the Office of Finance to begin an investigation into the City's bank accounts and ascertain whether Wells Fargo also engaged in the creation of false accounts under the City's contract.

I FURTHER MOVE that the Council INSTRUCT the City Administrative Officer, with the assistance of the City Attorney's office and the Office of Finance, to report with additional terms in Requests for Proposals for the City's future banking and financial institution contracts to ensure that the City may take remedial action against a financial institution contractor that is fined by the Consumer Financial Protection Bureau, the Securities and Exchange Commission, the Federal Reserve or any other banking regulator, including forfeiting bank fees on the city's accounts for the remaining duration of such a contract.

Presented by: Paul Krekorian
PAUL KREKORIAN
Councilmember, 2nd District

Paul Koretz
PAUL KORETZ
Councilmember, 5th District

Seconded by: [Signature]
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