



CALIFORNIA PUBLIC BANKS SUPPORT FISCAL RESPONSIBILITY

California public banks will be fiscally sound and face minimum risk.

CALIFORNIA PUBLIC BANKS WILL BE RUN BY PUBLIC BANKERS.

Like the 100-year-old Bank of North Dakota, California public banks will be managed by professional bankers and directed by accountable boards of governors responsible to their communities. Local governments which invest money in the public banks will have roles selecting the banks' boards of directors and developing policy, while the day-to-day banking will be done by seasoned professionals with substantial commercial banking experience.

CALIFORNIA PUBLIC BANKS WILL BE REGULATED BY THE STATE AND THE FEDERAL GOVERNMENT.

AB 857, the California Public Banking Act, requires that all California public banks be chartered in the state by the Department of Financial Protection and Innovation (DFPI), which charters banks and businesses across the state. The DFPI will follow the same procedures with public banks that it uses for private banks, including reviewing the bank proposal in detail, assessing financial projections, loan models, and the qualifications and history of the bank's board of directors, and upper management. Strict oversight and regulation continues for the first three years of any bank. After three years, annual reviews continue for as long as the bank exists; if an annual review reveals potential financial trouble, the DFPI resumes stricter oversight.

AB 857 also requires that every California public bank be insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC has rigorous criteria for all banks' financial and management plans, including requirements for minimum initial capital, minimum ongoing capital maintenance, fidelity bond insurance coverage, and financial statement audits. FDIC also insures bank deposits up to \$250,000.

CALIFORNIA PUBLIC BANKS WILL BE HELD TO HIGH STANDARDS OF INTEGRITY AND FINANCIAL STABILITY.

Despite government oversight, many Wall Street banks have had substantial public failures of integrity and money management. California public banks will have the salient advantage of community involvement in bank operations. While many commercial bank boards of directors consist entirely of people with a focus on profitability, California public banks will bring together leaders from many community sectors and perspectives. This spectrum of backgrounds, expectations, and opinions will widen the lens of each local public bank and strengthen the banks' internal responsibility for success.