

CALIFORNIA PUBLIC BANKS

SUPPORT FISCAL RESPONSIBILITY

**Public Banks: Offering Reliable and Stable Financial Services
with Minimal Risk**

LED BY EXPERIENCED PROFESSIONALS

Like the 100-year-old Bank of North Dakota, California public banks will be led by a team of professional bankers and governed by accountable boards of governors who are answerable to their respective communities. Local governments that invest in these public banks will have a say in selecting the banks' boards of directors and shaping policy. The day-to-day operations of the banks will be carried out by seasoned professionals with substantial commercial banking experience, ensuring efficient and effective management.

STATE AND FEDERAL OVERSIGHT OF PUBLIC BANKS

The California Public Banking Act (AB 857), mandates that all California public banks be chartered within the state by the Department of Financial Protection and Innovation (DFPI). The DFPI, which is responsible for chartering banks and businesses across the state, will follow the same procedures for public banks as it does for private banks. This includes a thorough review of the bank proposal, an assessment of financial projections, loan models, and the qualifications and history of the bank's board of directors, and upper management. The DFPI will provide strict oversight and regulation for the first three years of the bank's operation. After that, annual reviews will continue as long as the bank exists. In case an annual review reveals potential financial trouble, the DFPI will resume stricter oversight.

AB 857 also mandates that every California public bank be insured by the FIDC which 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. The FDIC insures bank deposits up to \$250,000.

ENSURING INTEGRITY AND FINANCIAL STABILITY IN CALIFORNIA PUBLIC BANKS

Despite government oversight, many Wall Street banks have had significant failures in terms of integrity and financial management. California public banks, however, will have the advantage of community involvement in their operations. Unlike many commercial banks, whose boards of directors are solely focused on profitability, California public banks will bring together leaders from various community sectors and perspectives. This diversity of backgrounds, expectations, and opinions will broaden the perspective of each local public bank and strengthen the banks' internal accountability for success.