

Banking and Politics

by Charles B. Wendel

Banks have either deliberately placed themselves or circumstances have placed them in a political maelstrom, taking a stand that some customers may support while risking offending others.

Some examples:

- Last week *American Banker* reported a story headlined, “Citi’s latest political foray: Abortion-related travel expenses.” The report stated: “The megabank disclosed Wednesday that it will cover costs incurred by employees and family members who travel out-of-state to receive an abortion.”
- City National Bank, though not directly involved in the controversial loan, has become a protest target due to its ownership by RBC. The *Canadian Press* reports: “More than 65 Hollywood celebrities and Indigenous climate activists have signed a petition asking Royal Bank of Canada (RBC) and its subsidiary City National Bank (CNB) to stop financing fossil fuel projects and defund the Coastal GasLink pipeline in northern B.C.”
- Union-owned Amalgamated Bank “has become the first major American bank to support and endorse the creation of a federal commission to develop reparations proposals for African Americans”(yahoo! news).
- A 2021 *New York Post* article reported that American Express hired a consulting firm to train “AmEx employees to deconstruct their own intersectional identities, mapping their “race, sexual orientation, body type, religion, disability status, age, gender identity [and] citizenship” onto an official company worksheet. Employees could then determine whether they have white privilege or are members of a ‘marginalized group.’ White males presumably end up in the oppressor position, while racial and sexual minorities are considered oppressed.”
- A *Market Watch* article published a year ago suggests the tightrope that some banks are walking. “Citigroup, Wells Fargo, Bank of America, Goldman Sachs, and JP Morgan Chase were among the many large U.S. companies to make public statements of support in response to widespread protests last summer after the police killings of George Floyd and Breonna Taylor. In recent days, they have all officially opposed shareholder groups’ calls for them to conduct and publicize racial-equity audits and other changes, saying they are already doing enough to address equity issues.” Trying to thread the needle, Citigroup responded, “While we disagree with the overall approach in this proposal, we are completely aligned with its stated goal of addressing racial inequity in the financial sector.”
- Fossil fuel lending is another area in which some banks appear to have bowed to interest-group pressure. Beyond this group, the list of black-listed industries steadily increases and, also, changes. Where does your bank stand on fossil fuels, gun manufacturers, casinos, marijuana, crypto, and many other areas?

Understandably, in many cases, banks have tried to avoid being the focus of controversy by supporting the loud demands of protest groups (squeaky wheel concept), whether because they agreed with the group’s goals or to shut them up. But several problems have begun to emerge:

- People ambivalent or opposed to the aims of these groups are becoming more vocal. This past weekend, some Republican groups held voter registration events at gas stations, hoping to register voters who might well prefer that banks continue to support fossil fuel development and the construction of a pipeline.
- Protestors may continue to demand more from banks, as per the racial equity audits mentioned above.
- The political winds shift. It is fair to say that the BLM movement has lost its glow. A February Real Clear Politics article mentions “the selective silence of previously voluble woke corporate boards and national media pundits. Their unwillingness to demand accountability and transparency of Black Lives Matter Global Network Foundation, a \$90 million organization that publicly promised social justice to its millions of small donors and corporate benefactors...makes them aiders and abettors to BLMGNF’s questionable leadership and violations of law.”

There are no easy answers on how a bank should manage its way through political minefields. For decades special interests groups have targeted banks, in many cases with good reason. Banks want to avoid pickets and negative stories in the press and now, more than anything, negative social media campaigns that can spread like wildfire.

But it seems that, too often, bank management responds reactively and lacks an operating philosophy related to managing through controversial issues, fostering an environment in which it can be pushed to take short-term actions that may hurt them, their customers, and shareholders. This is an area ripe for senior management and BOD strategic discussions and scenario planning.



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