

THE
NATIONAL LAW REVIEW

Bank Directors Appointed By Politicians - What Could Possibly Go Wrong?

Tuesday, March 26, 2019

I recently [wrote](#) about proposed [legislation](#) (SB 528) that would establish the California Infrastructure and Economic Development Bank (I-Bank) as a depository institution. The I-Bank, despite its name, does not currently accept deposits. The bill would authorize the state, local agencies, as defined, and quasi-public nonprofit entities to establish deposit accounts with the I-Bank.

The bill provides that the I-Bank will be governed by a five-member board of directors. These directors will not be elected by shareholders. Rather, they will be appointed by the Infrastructure and Economic Development Bank Commission. This Commission will consist of the Governor, the Treasurer, the Attorney General, and the immediately preceding Governor. I-Bank directors will be unpaid (except for expense reimbursement and \$100 for each "full day" of board meetings) and will be subject to Senate confirmation. Because they will serve at the pleasure of the Commission, they will enjoy even less independence than a director of a private corporation. A bank with a Board appointed, and subject to removal, by elected politicians, what could possibly go wrong?

When I initially wrote about the bill (March 14, 2019), the text of the proposed legislation was not available on the California's official Legislative Information website. Nonetheless, the bill history mysteriously states that bill was in print on February 22, 2019. This is significant because under Joint Legislative Rule 55 a bill, other than the Budget Bill, may not be heard or acted upon by committee or either house until the bill has been in print for 30 days.

Allen Matkins
CHALLENGE. OPPORTUNITY. SUCCESS.

Article By
[Keith Paul Bishop](#)
[Allen Matkins Leck Gamble Mallory & Natsis LLP](#)
[California Corporate and Securities Law](#)
[Administrative & Regulatory](#)
[Financial Institutions & Banking](#)
[California](#)

©
2010-
2019
Allen

Date	Action
03/07/19	Referred to Coms. on GOV. & F. and B. & F.I.
02/22/19	From printer. May be acted upon on or after March 24.
02/21/19	Introduced. Read first time. To Com. on RLS. for assignment. To print.

Matkins Leck Gamble Mallory & Natsis LLP

Source URL: <https://www.natlawreview.com/article/bank-directors-appointed-politicians-what-could-possibly-go-wrong>