

Research Reporter

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Private Prisons Financing An Update

Following the June publication of the Research Reporter covering the private prison industry, a number of large banking institutions released public commitments to remove their ties to the controversial industry. As noted in the first Reporter, JPMorgan Chase and Wells Fargo had already committed not to provide future banking or financial services to private prison companies. In late June and July of 2019, the remaining four banks described in the Reporter each made such public statements.

In June, Bank of America stated it has selected to end its relationships with private prison and immigrant detention centers that serve federal and state governments, “as expeditiously as possible.”¹ However, it is unclear exactly how long it will take for the bank to be fully divested of financial ties to the private prison industry.

In July, three other banks released statements with information – though often limited – about their intentions to end financial ties to private prison and detention center companies: BNP Paribas, SunTrust Banks, and U.S. Bancorp.

BNP Paribas stated it will no longer finance the private prison industry, pledging not to finance any new facilities in the sector.² SunTrust Banks also stated it would not enter any new financial arrangements with private prison companies, as did U.S. Bancorp.³ Despite all of these banks’ statements and commitments, it is unclear how long any current financial ties to private prisons may last. Many of the banks also claim that their exposure is insignificant or small, which may not matter to many social investors, rather the existence of any ties at all cause concern.

A new wave of corporate engagement, this time aimed at smaller, regional banks, has just begun, too. Five banks will be engaged by social and faith-based investors, organized by ICCR⁴: Regions Financial Corporation (RF), Citizens Financial Group (CFG)⁵, Pinnacle Financial Partners (PNFP), First Tennessee Bank (a subsidiary of First Horizon National Corporation (FHN)), and Synovus Bank (SNV). Separate engagement has occurred by ICCR with PNC Bank (PNC) and Barclays (BCS). Participating investors hope that these smaller regional banks will also address their ties to the private prison sector.

¹ “Bank of America to stop financing operators of private prisons, detention centers.” *Thomson Reuters*, 26 June 2019. *Factiva, Inc.* Accessed 9 July 2019.

² Serafino, Phil. “BNP Paribas Plans to End Financing of Private Prisons.” *Bloomberg*, 13 July 2019. Accessed 31 July 2019.

³ Layne, Rachel. “Private prisons were supposed to thrive under Trump - then came a backlash.” *CBS News, Moneywatch*, 29 July 2019. Accessed 31 July 2019.

⁴ ICCR: Interfaith Center for Corporate Responsibility; 1919ic is a longstanding member of ICCR.

⁵ On August 1, 2019, 1919ic managed the following market values in equity and bond positions: \$367,065.59 of RF; \$6,148,756.98 of CFG; \$40,294.76 of PNFP; \$0.00 of FHN; and \$0.00 of SNV.