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Russell Goldsmith on the end of his family's long run in L.A. banking

By Polo Rocha January 26, 2022

For the first time since the 1950s, City National Bank in Los Angeles is poised to operate without a member of Russell Goldsmith's family at the helm.

Goldsmith, who is retiring as chairman on Jan. 31, spent 43 years on the company's board and 23 years as its CEO. His grandfather, onetime Chairman Ben Maltz, helped found the bank in 1953, and his father, Bram Goldsmith, subsequently ran it for two decades.

City National quickly became known as "the bank of the stars," in part because it provided the ransom money to help authorities save Frank Sinatra's kidnapped son in 1963.

"There's a need for the kind of relationship banking that isn't just cookie-cutter online products — and at the same time, we too can provide online products," said City National Chairman Russell Goldsmith, who is retiring on Jan. 31. *Bloomberg*

Since 2015, the $91-billion-asset company has been under the umbrella of the Royal Bank of Canada, which purchased the franchise in a bid to reenter the U.S. market.

In a recent interview, Russell Goldsmith, 71, assessed competition to banks from fintechs, reflected on the 2007-2009 financial crisis and shared his thoughts about the future of bank M&A.

As for City National, which has long been closely linked to his own family, Goldsmith said that little has changed in the six-plus years since the acquisition. "City National is very much the same bank that we sold to them," he said.

Goldsmith did, however, point to certain ways that City National, which maintains a niche in providing banking services for the entertainment industry, has benefited from being tied to one of the world's 25 largest banks.

RBC's vast resources have helped City National keep up-to-speed on technological offerings, he said. The Southern California bank has also benefited from its parent company's prowess in investment banking and capital markets services, he said.

In 2016, for example, City National led a $500 million credit facility for the record label Anthem Entertainment, formerly known as ole, which used the financing to acquire new song catalogs.

"It's expanded … what we can do for our clients," Goldsmith said. "It's like having a big brother."

Banks across the U.S. have been merging in part to achieve more scale — giving them more room to squeeze out savings together, as well as to make the tech upgrades they need to survive. Goldsmith predicted the wave of consolidation will continue, driven by the cost of tech upgrades, regulatory obligations and growing competition among banks and non-banks.

"Clients expect to be able to do things with technology, whether you're at JPMorgan or at a very small bank," he said.

For City National, the need for "more resources" and "more scale" meant that the RBC acquisition was the most efficient and effective way to serve clients, Goldsmith said. Still, he said, the thousands of U.S. community banks won't disappear.

"There will continue to be consolidation, and there will continue to be a need and opportunity for financial institutions of every size and shape," he said.

Goldsmith took over as chairman and CEO of City National in 1995, when it had just $3 billion in assets. During his tenure, the bank expanded its footprint beyond southern California, particularly in entertainment-heavy markets like New York, Atlanta, Miami and Nashville, according to Jennifer Demba, a bank stock analyst at Truist Securities.

Goldsmith "built one of the most enviable and differentiated banking franchises in the country," Demba said in an email.

Still, City National maintained its local roots after the RBC acquisition, said John DeCero, president and CEO of Walnut Creek, California-based competitor Mechanics Bank. DeCero said his bank was hoping to pick up business from City National after the RBC deal, but that Goldsmith did a "tremendous job of staying close to the clients."

"Competing with them was very difficult, I'll be honest," DeCero said. "People were very loyal to the bank and still are. Yeah, we've won a few from them, but if they were close to Russell — forget it, you couldn't compete."

DeCero said he looked up to both Goldsmith and his father as he started his banking career in southern California, saying the two were "great role models for future CEOs" and praising the pair for their involvement in the community. Goldsmith chairs the Los Angeles Coalition for the Economy & Jobs and serves on the board of the Cedars-Sinai Hospital.

DeCero also said Goldsmith has been a "champion" of the banking industry and particularly midsize and community banks. In the wake of the financial crisis that began nearly 15 years ago, Goldsmith founded the Mid-Size Bank Coalition of America, a trade group specifically for banks that were larger than community banks but far smaller than megabanks.

"You may be angry at your bank, but remember that not all banks are created equal, and certainly not all banks are to blame," Goldsmith wrote in a HuffPost op-ed in 2012, following the Occupy Wall Street protests and widespread popular anger at the banking industry.

Midsize banks were "essentially voiceless" in Washington, D.C., before the coalition's formation, Goldsmith said, and they needed a trade group to ensure that lawmakers did not subject them to the same rules as larger and riskier banks.

Asked to reflect on the crisis, Goldsmith said it was "the most challenging period that our bank and the industry went through" during his tenure. Goldsmith had a front-row seat to the Federal Reserve's response, helping to advise the central bank as a member of its Federal Advisory Council, a group of 12 bankers from across the country.

City National remained profitable throughout the crisis, though its net income declined sharply between 2006 and 2009, according to Federal Deposit Insurance Corp. data.

Ultimately, Goldsmith said, the Dodd-Frank Act and regulators' actions made the industry "stronger, and America's better for it." Although "no piece of legislation is perfect," the post-crisis regulatory framework held up well in the toughest moments of the pandemic, he said.

"I think the country has learned a lot from the financial crisis, and was able to apply a lot of those lessons successfully, and act more aggressively, more quickly," Goldsmith said. "That's why our economy has weathered this COVID threat and damage as well as it has."

In 2015, RBC paid a hefty 26% premium to acquire City National, providing a boon to the Goldsmith family, which owned 13% of the bank. Goldsmith initially stayed on as chief executive while also becoming chair of RBC Wealth Management U.S.

Kelly Coffey, a former JPMorgan Chase executive, became City National's CEO in 2019.

In retirement, Goldsmith plans to spend more time with family and on community engagements. As the longtime Hollywood banker prepared to chair his last board meeting on Thursday, he acknowledged that traditional banks are facing growing competition from fintech companies. But he said there's room for incumbents to coexist with fintechs.

Many observers underestimate how much money banks have invested in technology, as well as their ability to stay "nimble," Goldsmith said. Clients appreciate the strong regulatory framework that banks are subject to, he said. And he argued that fintechs can't easily match banks' ability to provide more complex advice and services.

"There's a need for the kind of relationship banking that isn't just cookie-cutter online products — and at the same time, we too can provide online products," Goldsmith said. "It's a more competitive world, but there's clearly hundreds of millions of clients out there who want to be linked to a bank."