AMERICANS FOR FINANCIAL REFORM

THIS WEEK IN WALL STREET REFORM
March 22 - 28, 2014

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CONSUMER FINANCE AND CFPB

Most Payday Loan Borrowers Get Stuck In 'Revolving Door Of Debt'
Jim Puzzanghera, Los Angeles Times, 24/3/14
"Four out of five people who take out a short-term payday loan either roll it over or take out another one within two weeks, pushing them into a cycle of debt, according to a report to be released Tuesday by the Consumer Financial Protection Bureau.

"Nearly a quarter of borrowers — 22% — renewed the loan at least six times, causing them to end up paying more in fees than they originally borrowed, the bureau said in an analysis of 12 million loans made by storefront payday loan companies."

The Trap Of Payday Loans Can Lead To Triple-Digit Interest Rates
Michelle Singletary, **Washington Post, 3/26/14**
"After examining data from more than 12 million loans in 30 states, the Consumer Financial Protection Bureau found that more than 80 percent of payday loans are rolled over or are followed by another loan within 14 days. Monthly borrowers are disproportionately likely to stay in debt for a whopping 11 months or longer.

"In a new report, the CFPB, which began supervision of payday lenders in 2012, focused on repeat payday loan borrowers. The agency noted that with a typical payday fee of 15 percent, consumers who took out a loan and then had six renewals *paid more in fees than the original loan amount*.

"Think you can handle this type of loan?"

Federal Regulator May Target Repeated Use of Payday Loans
Alan Zibel, Wall Street Journal, 3/25/14
"The CFPB is currently deliberating how to structure regulations for the payday loan industry and will likely unveil a proposal later this year.

"The industry is trying to determine how the regulator's actions could impact industry that made around $46 billion in loans last year."

[**Is The CFPB About to Break the Payday Lending Business Model?**]
Lydia DePillis, Wall Street Journal, 3/25/14

Consumer Watchdog Rips Payday Loans
Tim Devaney, The Hill, 3/25/14

Most Payday Loans Go to Those With Old Payday Debts
Karen Weise, Bloomberg, 3/25/14

Payday Lending: the Loans with 350% Interest and a Grip on America
David Dayen, The Guardian, 3/23/14

There are Almost as Many Payday Lenders as McDonald's and Starbucks. No, Really
Danielle Douglas, Washington Post, 3/26/14

Architect of Postal Banking Proposal Speaks Out
Kevin Wack, American Banker, 3/28/14

Key Democratic Leaders Call for Review of Employment Practices at CFPB, Financial Regulators
Press Statement, Financial Services Committee Subcommittee on Oversight, 3/26/14

Panel to Probe CFPB Discrimination Charges
Benjamin Goad, The Hill, 3/26/14
"The House Financial Services Committee on Wednesday announced a hearing to investigate claims that a top federal watchdog is discriminating against its own workers.

"The panel's probe of the Consumer Financial Protection Bureau follows accusations that the agency is biased in favor of white employees. A **story** published earlier this month in *American Banker* concluded that the agency's managers "show a pattern of ranking white employees distinctly better than minorities in performance reviews used to grant raises and issue bonuses."

Research Integrity Council Formed to Improve CFPB Rulemaking Process
Kim Phan, CFPB Monitor, 3/24/14

DERIVATIVES, COMMODITIES, AND THE CFTC

CFTC Delays Derivatives Trading Rules
Andrew Ackerman, Wall Street Journal, 3/21/14
"The Commodity Futures Trading Commission on Friday agreed to delay planned overseas derivatives trading restrictions, a move giving European trading platforms more time to comply with new rules that apply to the foreign arms of U.S. financial firms.

"The CFTC, the main U.S. derivatives regulator, put off the new restrictions on derivatives trading until May 15. The rules are an attempt to bring domestic and international rules in line with one another."

European Swap Platforms Get Until May 15 to Gain CFTC Exemption
Silla Brush, Bloomberg, 3/22/14
"The Commodity Futures Trading Commission is giving European swap-trading platforms until May 15 to show they offer sufficient competition between banks and other firms to remain exempt from direct U.S. oversight.

"The agency postponed a March 24 deadline to meet pre-trade competition and transparency standards to qualify for exemption from U.S. registration. The conditions were included in a February deal to align regulations for the $693 trillion global swaps market and share oversight between authorities…

"The international reach of CFTC rules has been among the most contentious issues between the regulator and financial firms that operate around the world. Wall Street lobbying groups representing banks including Goldman Sachs and JPMorgan Chase & Co. sought in a December lawsuit to limit the agency's ability to impose rules outside the U.S."

See AFR statement: **Members of Congress Speak out Against Wall Street's Effort to Evade Derivatives Rule**

House Republicans Push to Make Dodd-Frank Tweak Law
Peter Schroeder, The Hill, 3/26/14
"House Republicans are pushing the Senate to take up a bill tweaking financial regulations that has already been unanimously passed by the House.

"The lawmakers pointed to recent regulatory relief from the Commodity Futures Trading Commission as proof of the need for the bill, which would exempt public utilities from having to register as a swap dealer…

"The push comes as the CFTC is putting in place new rules on derivatives transactions, including increased monitoring. Under previous CFTC rules, non-financial entities could engage in up to $3 billion in swap activities as part of an effort to hedge against risk. But swaps entered into with a public utility were limited to just $25 million."

INVESTOR PROTECTION AND THE SEC

The Stone Unturned: Credit Ratings
Gretchen Morgenson, 3/22/14
"It's the one question about the 2008 financial crisis that people still ask me more than any other: Why have regulators done so little to rein in the credit rating agencies? Other institutions that contributed to the mortgage debacle have submitted to new rules and compliance requirements, but Moody's Investors Service and Standard & Poor's and their peers remained relatively untouched.

"The status quo is especially baffling because the Dodd-Frank financial reform law actually directed the Securities and Exchange Commission to regulate these firms more closely. So why have they been left to operate pretty much as in the past?"

Attention Suckers: Please Send Us Your Money
Barry Ritholtz, Bloomberg, 3/26/14
"'*Those almost 10,000 early investors on Kickstarter participated in one of history's most lucrative funding rounds from the perspective of the people receiving the funding: a $2.4 million early-stage investment in what would become a $2 billion business in a year and a half, in return for 0.0% equity'*…"

"It is relatively uncommon for the chairperson of the SEC to object to new deregulation, but when new laws are thought to be anti-investor, it's no surprise. Regardless of strenuous objections, the JOBS Act became law, making it all-too-easy for companies to raise money. It was more of the same radical deregulation that helped cause the financial crisis. This was not about making markets work more smoothly, but rather, an extreme form of "smash & grab" capitalism.

"Bill Black called it a 'recipe for fraud.' But Professor Black was wrong -- it's not a ***fraud***, it's a ***scam***. You see, fraud involves something where there is a violation of the law; no rules appear to have been broken here. This is how the JOBS Act is supposed to work: Let people make dumb decisions on their own, without any protection."

Europe Turns to Crowdfunding but Still Obstacles to Surmount
Christopher Lawton and Tom Fairless, Wall Street Journal, 3/25/14
"For crowdfunding platforms to grow further and become pan-European, though, they will need to overcome numerous obstacles, including a patchwork of national rules, differing payment systems and the risk of fraud, according to a report on the sector to be published on Thursday by the European Commission, the EU's executive arm.

"The report, seen by The Wall Street Journal, stops short of proposing common EU rules. Instead, the commission says it will work with national regulators to overcome legal inconsistencies and help develop an EU 'quality label' to build trust with users."

MORTGAGES, FORECLOSURES & HOUSING

Pitfalls of Reverse Mortgages May Pass to Borrower's Heirs
Jessica Silver-Greenberg, New York Times, 3/26/14
"Similar scenes are being played out throughout an aging America, where the children of elderly borrowers are learning that their parents' reverse mortgages are now threatening their own inheritances. Reverse mortgages, which allow homeowners 62 and older to borrow money against the value of their homes that need not be paid back until they move out or die, have long posed pitfalls for older borrowers…

"Under federal rules, survivors are supposed to be offered the option to settle the loan for a percentage of the full amount. Instead, reverse mortgage companies are increasingly threatening to foreclose unless heirs pay the mortgages in full, according to interviews with more than four dozen housing counselors, state regulators and 25 families whose elderly parents took out reverse mortgages.

"Some lenders are moving to foreclose just weeks after the borrower dies, many families say."

[BofA, Ex-CEO Lewis Settle Crisis-Era Suits]
James Sterngold,Dan Fitzpatrick and Nick Timiraos, Wall Street Journal, 3/26/14
"Bank of America Corp. and former Chief Executive Kenneth Lewis took big steps to put the financial crisis behind them by paying state and federal agencies to settle lawsuits over the acquisitions of Countrywide Financial Corp. and Merrill Lynch & Co.

"The Charlotte, N.C., lender said Wednesday that it would pay $9.5 billion to settle mortgage claims with Fannie Mae, Freddie Mac and their federal regulator.

"Bank of America also agreed to pay the state of New York $15 million to end a civil lawsuit by New York state Attorney General Eric Schneiderman alleging the bank duped shareholders by failing to disclose mounting losses at Merrill before buying the securities firm in a rushed deal struck in 2008 near the height of the financial crisis. The bank neither admitted nor denied wrongdoing in both settlements."

Bank of America to Pay $6.3 Billion to Settle Mortgage Securities Suit
Matthew Goldstein, New York Times, 4/26/14
"Bank of America is paying $6.3 billion to settle a lawsuit arising out of troubled mortgage-backed securities it cobbled together and sold to Fannie Mae and Freddie Mac in the run-up to the financial crisis.

"The bank agreed on Wednesday to pay that sum to settle a lawsuit filed on behalf of the two government-sponsored mortgage finance firms by their regulator, the Federal Housing Finance Agency. As part of the settlement, Bank of America will also repurchase mortgage securities from Fannie and Freddie that are valued at about $3.2 billion."

Loan Shortage Pushes Mortgage Firms to Accept Lower Credit Scores
Bonnie Sinnock, American Banker, 3/24/14
"A growing number of home lenders are lowering their minimum credit scores in an attempt to boost origination volumes that have suffered as interest rates climb. Until recently, most lenders refrained from lending to borrowers with credit scores far below 600, even when government loan programs like the Federal Housing Administration allowed it. The lenders feared having to repurchase the loans or indemnify the FHA for losses if the borrowers defaulted, not to mention the reputational risk associated with subprime lending in the wake of the housing crash…

"The average minimum FICO score for the 15 lenders with the lowest minimums was 571 during the fourth quarter, down from 599 for those same lenders a year earlier, according to *National Mortgage News*' Quarterly Data Report."

Is Subprime Mortgage Lending Making a Comeback?
Video, American Banker, 3/26/14

Judge Urges Dismissal of Mortgage Suit Against Bank of America
Ben Protess, New York Times, 3/17/14
"A federal magistrate judge on Thursday moved to toss out a Justice Department lawsuit over a soured mortgage deal at Bank of America, dealing a potential setback to the government's pursuit of Wall Street misdeeds.

“The ruling, by Judge David S. Cayer, is nonbinding. A Federal District Court judge in Charlotte, N.C., will decide whether to accept or reject the recommendation to dismiss the lawsuit.

“But if the judge adopts the suggestion, and judges often do, it could inspire other banks to test their luck in the courtroom. Ultimately, it could also undercut the Justice Department’s use of a novel legal theory against Wall Street.”

STUDENT LOANS AND FOR-PROFIT COLLEGES

U.S. Mulls New Policies for Students Getting Financial Aid
Alan Zibel, Wall Street Journal, 3/26/14
“The U.S. government is considering preventing colleges and universities from steering students who receive federal financial aid into bank accounts offered by firms that have business relationships with schools.

“An Education Department proposal would require schools to make sure students are ‘not steered to, or compelled to select, a particular option’for receiving financial-aid money, according to a draft reviewed by The Wall Street Journal. The plan is being discussed at a public hearing starting Wednesday and could change based on feedback.

“The government proposal would put limits on a practice in which some schools encourage students to open accounts with a particular institution, often through a debit card that bears their college's logo. These arrangements, popular at state schools and community colleges, have come under fire from consumer and student groups, who say they are too costly.”

Disabled Borrowers Trade Loan Debt for a Tax Bill From the I.R.S.
Tara Siegel Bernard, New York Times, 3/27/14
“After much criticism, the Department of Education has made it easier in recent years for disabled borrowers to have their federal student loans discharged. But now, as more people are qualifying for loan forgiveness, many of them are running into an unexpected consequence: They are often shocked to learn that they basically exchanged one debt for another, according to consumer advocates and tax and credit specialists.

“While millions of debts — including credit cards and mortgages — are canceled each year, the group of borrowers whose loans have been discharged because of a ‘total and permanent disability’ has grown sharply to more than 115,700 in 2013, from nearly 61,600 in 2011 and fewer than 15,000 in 2008, according to the Department of Education. But under current tax law, the amount of debt forgiven is generally taxable, so some disabled borrowers end up with tax bills they cannot afford.”

Holding For-Profit Colleges Accountable
Editorial, Los Angeles Times, 3/23/14
“For-profit colleges that wildly exaggerate their graduates' success and talk prospective attendees into taking on extraordinary debt are not only harming their students but costing taxpayers billions of dollars on wasted Pell grants and defaulted federal student loans. After an earlier court defeat, the Obama administration is trying again to set rules to stop schools from overpromising to attract students. This time, the rules should stick.

“The administration has spent years looking for ways to crack down on the bad actors within the for-profit college industry, which accounts for just 13% of college enrollment but almost half of all federal student loan defaults.”

Education's ObamaCare
Editorial, Wall Street Journal, 3/21/14
“Capping a five-year assault on for-profit colleges, the Department of Education last week tightened oversight over this—and only this—corner of higher education, claiming sweeping powers to close ‘poor-performing’ schools based on its own abstruse criteria. Sound familiar? The people who gave the world ObamaCare think they also know the best educational options for students.”

Shame: Wall St Journal Compares Rule for Predatory Colleges to Obamacare
David Halperin, Huffington Post, 3/22/14
“I thought it was a matter of time before defenders of America's predatory for-profit colleges tried to equate President Obama's effort to regulate those schools with Obamacare. In seeking to block Obama's ‘gainful employment’ rule, which would penalize career colleges that consistently leave their students worse off than they started, the industry's arguments have been as misleading as their tactics have been unscrupulous. And now, it's happened.

“This morning, the *Wall Street Journal* has an editorial entitled ‘Education's ObamaCare.’ It calls the gainful employment rule ‘a regulatory assault on some of America's most innovative and affordable schools,’ when in fact the rule, whose latest draft was released for public comment last week, would penalize only those schools whose combination of low quality and exorbitant prices consistently buried former students in overwhelming debt.”

SYSTEMIC RISK

Citigroup Fails Federal Reserve’s Stress Test for 2nd Time in 3 Years
Michael Corkery, New York Times, 3/26/14
“The Federal Reserve dealt an embarrassing blow to Citigroup on Wednesday, attacking the bank’s financial projections for its sprawling operations and denying the bank’s plan to increase dividends and repurchase stock.

“In a report, the Fed rejected Citigroup’s plans to manage its capital, citing concerns about the ‘overall reliability of Citigroup’s capital planning process.’ It was the only one of the nation’s top five banks that failed to persuade the Fed to bless its plans for shareholder payouts…

“The rebuke could derail the plans of Michael Corbat, the bank’s chief executive, to gradually rehabilitate Citigroup by dialing back risk and cutting costs. The Fed’s decision is already reviving calls to break up Citi’s far-flung businesses that stretch from New York to Mexico.”

Fed Rejects Capital Plans of Citi, Four Others
Donna Borak, American Banker, 3/26/14
"The Federal Reserve Board denied Citigroup Inc.'s capital plan on Wednesday, saying it had failed to make sufficient improvements to a number of deficiencies in its capital planning processes.

"Citi was one of five firms to have its capital plan rejected by the central bank as part of the Fed's annual stress test exercise known as the Comprehensive Capital Analysis Review, or CCAR. Four banks — HSBC North America, RBS Citizens Financial, Santander and Citi — were rejected for 'qualitative' reasons, while Zions Bancorp. failed to meet the Fed's minimum Tier 1 common capital ratio under a hypothetical severely adverse economic scenario."

Stress Tests Round 2: Citi Fails Fed's Most Important Exam, 25 Banks Pass
Halah Touryalai, Forbes, 3/26/14

Fed Economist Says Big Bank Borrowing Advantage Increases Risk
Cheyenne Hopkins and Craig Torres, New York Times, 3/25/14
"The largest U.S. banks, including JPMorgan Chase (JPM) & Co. and Citigroup Inc., have been able to borrow more cheaply in bond markets than smaller rivals, in part because of investor perceptions that they were too big to fail, according to a Federal Reserve Bank of New York researcher.

"The five largest banks paid on average 0.31 percentage point less on A rated debt than their smaller peers, according to a paper released today by the Fed district bank based on data from 1985 until 2009."

The Financial Advantage Big Banks Get From Being Too Big To Fail
Bryce Covert, Think Progress, 3/24/14
"The country's biggest banks enjoy a financial advantage over their smaller counterparts thanks to the notion that they are too big to fail, according to a new series of research papers from the Federal Reserve…"

"The data the Fed researchers used doesn't take the 2010 Dodd-Frank financial reform bill into account, which attempted to address the issue of too big to fail. But the four biggest banks have only grown larger since the financial crisis, holding $7.8 trillion in combined assets as of September, an increase from $6.4 trillion in 2008. And banks are failing one of Dodd-Frank's key reforms aimed at ending too big to fail: their 'living will' plans for how to resolve bankruptcies without endangering the system have fallen far short of the requirements. Meanwhile, Federal Reserve officials, including former Chair Ben Bernanke, have admitted in recent years that too big to fail hasn't been fixed. Senators have similarly warned that the problem persists, from Elizabeth Warren (D-MA) to Chuck Grassley (R-IA)."

Fed Study: Big Banks Enjoy 'Too Big To Fail' Perks
Peter Schroeder, The Hill, 3/25/14

Silence on ECB Bank Review May Break on Legal Blind Spot
Jeff Black, Ben Moshinsky and Boris Groendahl, Bloomberg, 3/26/14
"The ECB's plan to keep its health check on euro-area lenders under wraps until the completion of a stress test in October could be undermined by national rules requiring

disclosure far sooner. Domestic regulators may order banks to tap the market immediately if an Asset Quality Review ending in July shows they need more capital, according to law firms including Clifford Chance LLP.

"The risk is that market volatility could rise if multiple announcements cast doubt on the ECB's control of a process designed to clean up balance sheets. Officials from the 128 lenders in the appraisal are meeting supervisory staff in Frankfurt today for an update on the Comprehensive Assessment, which includes both the AQR and the stress test. The ECB has said the exam will be more credible than previous efforts to restore trust to the financial system."

Don't These Banks Seem Too Small To Stress Over?
Jonathan Weil, Bloomberg, 3/25/14
"Zions was included because it fell on the wrong side of an arbitrary bright line. The Dodd-Frank Act, which Congress passed in 2010 after the worst of the financial crisis, requires the Fed to conduct annual stress tests of all U.S.-based bank-holding companies with $50 billion or more of total assets.

"If a bank has less, it isn't considered systemically important. This was the first time Zions went through the exercise. Last year's tests covered only 18 companies, because the Fed's stress-test rules hadn't been fully implemented yet."

With Banking, What Happens in Europe Does Not Stay in Europe
Mayra Rodríguez Valladares, New York Times, 3/17/14
"Yet a last-minute compromise last week to create a so-called Single Resolution Mechanism, a central authority to resolve a bank failure in Europe, will have lasting consequences not only for European taxpayers, but also for Americans.

"According to the Bank for International Settlements, globally systemically important banks in the United States have billions of dollars in exposures to European banks. Moreover, a significant portion of American banks' derivatives portfolios are often booked in Europe for hedging, tax or regulatory capital purposes. Not captured in the data is that the majority of the foreign subsidiaries and branches of those American banks are in Europe. Given the interconnectedness of American and European banks, Europe's ability to create a credible Single Resolution Mechanism that can resolve a bank failure in an orderly manner is an important step in strengthening the global banking sector."

EXECUTIVE COMPENSATION

Dismantling CEOs' Golden Parachutes
Jena McGregor, Washington Post, 3/26/14
"It's been several years since the financial crisis ignited public outrage over CEO compensation and the SEC adopted rules from the Dodd-Frank Wall Street Reform and Consumer Protection Act that grant investors the right to vote on executive pay. But such eye-popping numbers beg the question, how much have CEO safety nets actually changed?

“The short answer is: some, but not enough to fundamentally let the air out of those parachutes…

“But until corporations change how they treat the piles of stock options and restricted shares that executives typically become eligible to receive — for instance, $56.5 million of Marcus's potential $80 million payday would be in equity form — lucrative golden parachutes are likely to remain fairly common.”

Believe It Or Not, CEO Golden Parachutes Are Shrinking
Claire Zillman, Fortune, 3/24/14

ENFORCEMENT

Jury Says 5 Madoff Employees Knowingly Aided Swindle of Clients’ Billions
Rachel Abrams and Diana B. Henriques, New York Times, 3/24/14
“A federal jury on Monday found five associates of the convicted swindler Bernard L. Madoff guilty of 31 counts of aiding one of the largest Ponzi schemes in history.

“With that verdict, the jurors rejected the former employees’ central defense: that only Mr. Madoff had known the evil purpose behind the chores he told them to carry out, while they had simply trusted for decades in the honesty of a man widely known and respected on Wall Street.”

Corzine Loses Bid To Dismiss Lawsuit Over MF Global’s Collapse
Jonathan Stempel, Reuters, 3/24/14
“U.S. District Judge Victor Marrero in Manhattan said on Monday the trustee may pursue damages over claims that Corzine, former chief operating officer Bradley Abelow and former chief financial officer Henri Steenkamp breached their duties of care and loyalty to the company.

"’Defendants and other MF Global officers repeatedly increased the company's exposure to risky bets on sovereign debt and shuffled funds among MF Global's subsidiaries to cover a growing liquidity crisis,’ Marrero wrote. ‘These facts give rise to reasonable inferences that defendants acted in bad faith’."

UBS Said to Suspend Six Traders in Currency Review
Chad Bray, New York Times, 3/27/14
“The suspensions are the latest escalation of a series of regulatory and internal investigations that are examining whether traders at some of the world’s largest banks colluded to improperly influence the foreign exchange markets.

“Regulators in Britain, the United States, Switzerland and other countries have all begun investigations into whether traders tried to manipulate closely watched benchmark currency rates.”

MONEY, POLITICS & INFLUENCE

Where They Stand on Financial Reform
Americans for Financial Reform, Mach 2014
"In a new report, Americans for Financial Reform looks at what the 113th Congress did in 2013 to advance or impede the cause of stronger regulation of the financial industry. AFR's report, Where They Stand on Financial Reform, tracks a series of relevant House and Senate actions, briefly explaining what each was about and recording the votes of the Senators and House members involved.

"The report highlights the contrast between a united electorate and a divided Congress when it comes to regulating the financial industry. Surveys show high levels of voter support for tougher rules; apart from the Senate's confirmation of two notable regulatory officials, however, the most of last year's congressional votes on such matters were over efforts to reverse or water down reforms already enacted into law. And while some legislators resisted those efforts and continued to press for more industry accountability, many others – particularly in the House – threw their weight behind a series of proposals to weaken existing rules or to undermine the agencies charged with implementing them."

Dodd-Frank Army Skips To K Street
Megan R. Wilson, The Hill, 3/25/14
"More than two dozen federal officials who helped enact new rules for Wall Street have decamped from government for lucrative jobs in the private sector.

"Many of the officials who were foot soldiers in the Dodd-Frank effort have moved on to law firms, with several now advising clients on how to comply with the complex rules that they themselves had helped to write."

Wall St. May Tilt Fight For Senate
Darrell Delamaide, USA Today, 3/25/14

U.S. Single-Family Home Investors Form Trade Group
John Gittelsohn, Bloomberg, 3/26/14
"The largest landlords of single-family homes, including Blackstone Group LP, have formed an industry trade group at a time their impact on housing and finance faces scrutiny.

"The National Rental Home Council will advocate for professional managers of single-family leased residences, after private-equity firms, hedge funds and real estate investment trusts spent more than $20 billion to buy 200,000 houses, according to a statement by the Washington-based group.

"While small investors still own the majority of the 14 million U.S. rental homes, corporate landlords saw an opportunity to start a new real estate asset class after housing prices fell as much as 35 percent from their 2006 peak and demand for rentals rose after almost 5 million owners lost properties to foreclosure."

SWIPE FEES

Court Reverses Ruling On Swipe Fees In Favor Of Banks
Danielle Douglas, Washington Post, 3/21/14
"In a victory for the banking industry, a U.S. appeals court on Friday struck down a district court decision that ordered the Federal Reserve to rewrite its rules governing fees that banks collect each time a debit card is swiped.

"The ruling reverses a July decision by U.S. District Court Judge Richard Leon, who said that the central bank set the cap too high under pressure from the banking lobby. The Fed gave banks the thumbs-up to charge retailers as much as 21 cents a transaction, about half the previous 44-cent charge per swipe…

"The appeals court decision is a blow to merchants who have fought for nearly four years to limit the interchange fee, or "swipe fee." Merchants have argued that consumers are the ultimate victims of these fees because the costs are usually passed on to them in the form of higher prices."

Durbin Chided by Judges, Says Swipe-Fee Ruling Is Bank 'Giveaway'
Robert Schmidt, Bloomberg, 3/21/14
"The judges who ruled today on debit-card swipe fees had a message for the U.S. senator whose legislation spurred a massive battle between Wall Street and the retail industry: Thanks for nothing.

"In an unusual bit of pique, a three-judge panel of the U.S. Court of Appeals for the D.C. Circuit called Senator Richard Durbin's measure "poorly drafted" and subject to little debate when it was passed in 2010. The opinion, written by Judge David Tatel, reversed a lower court ruling and upheld the Federal Reserve Board's regulation implementing the fee limit…

"Before Durbin inserted the cap in the 2010 Dodd-Frank Act, debit fees averaged 44 cents per transaction or about $16 billion a year. The amounts were set by Visa Inc. and MasterCard Inc., which own the payment networks and pass the money to the banks.

"The Durbin amendment spurred one of Washington's largest lobbying battles, as retailers and the financial industry grappled over who would get to pocket the $16 billion."

Fed Can Set Debit Card Rates Higher Than Congress Intended
Tom Groenfeldt, Forbes, 3/24/14

OTHER TOPICS

A Likely Heir Is Leaving JPMorgan Chase
Jessica Silver-Greenberg and Michael Corkery, New York Times, 3/26/14
*"*The surprise departure of a top JPMorgan Chase executive for a giant private equity firm underscores how financial regulations are forcing a shift in the balance of power on Wall Street.

"Considered a likely heir to Jamie Dimon, the bank's 58-year-old chief executive, Michael J. Cavanagh announced on Tuesday that he would resign as JPMorgan's co-head of investment banking to take on the role of co-chief operating officer of the Carlyle Group. Mr. Cavanagh's decision to give up a chance at eventually running JPMorgan signals how running a large bank has become less attractive, considering the regulatory hurdles and heightened scrutiny that have dogged Wall Street since the aftermath of the financial crisis."

Who Killed The Plan To Lower Your Taxes?

David Weidner, Market Watch/WSJ, 3/25/14

"To be clear, Rep. Camp is proposing something a little different. It's a bank tax for the largest U.S. banks. Under the plan, some big banks such as J.P. Morgan Chase & Co. and Bank of America Corp. BAC could have to pay as much as $1 billion. It's also much smaller and narrower in scope than any of the broader proposals that have been floated before by Sen. Tom Harkin (D., Iowa) and Rep. Peter DeFazio (D., Ore.) among others.

"But the plan isn't just a penalty, it's aimed at offsetting federal government backstops and low, taxpayer-backed borrowing costs that save the industry tens of billions of dollars a year ($83 billion according to a study by Bloomberg last year)."