
AMERICANS FOR FINANCIAL REFORM

THIS WEEK IN WALL STREET REFORM January 4 – 10, 2014

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CONSUMER FINANCE & CFPB

[CFPB Gets Results for Consumers In December](#)

Ed Mierzwinski, USPIRG, 12/31/13

"In December, the CFPB got major results for the consumers it is charged with protecting from unfair financial practices. Here's a quick rundown of the CFPB's enforcement and other actions this holiday month:

"On December 10, the [CFPB Ordered GE Capital Retail Bank](#) to repay consumers \$34 million over deceptive marketing by doctors and dentists of its CareCredit medical debt credit card...

"On December 12, CFPB held an [important field hearing in Dallas](#) to announce preliminary results of its study of forced arbitration clauses in consumer contracts...

"On December 16, the CFPB, joined by several states, filed its first online lending lawsuit, against [a loan servicing company known as CashCall](#). The CFPB rejected the firm's various defenses of its activities, such as 'seeking to collect on loans that were completely void or partially nullified because the loans violated either state caps on interest rates or state licensing requirement laws.' Among the rejected defenses was the firm's claim that its relationship with Western Sky, a lender allegedly connected with a Native American Indian reservation, gave it some sort of 'rent-a-tribe' sovereign immunity from state or federal law..."

[CashCall Case Sends a Message: Online Lenders Can't Collect on Loans that Break State Laws](#)

Rebecca Thiess, AFR Blog, 1/3/14

[Borrowers Hit Social-Media Hurdles](#)

Stephanie Armour, Wall St. Journal, 1/8/14

"More lending companies are mining Facebook, Twitter and other social-media data to help determine a borrower's creditworthiness or identity, a trend that is raising concerns among consumer groups and regulators.

"Lending companies—some of which are backed with venture funding from Google Ventures, the venture-capital arm of Google Inc., and Accel Partners, an early Facebook Inc. investor—are looking at potential problems such as whether applicants put the same job information on

their loan application as they posted on LinkedIn, or if they shared on Facebook that they had been let go by an employer. A small business that draws negative reviews on eBay also could undermine its chances of getting more credit, lending companies say...

“Consumer advocates say the trend increases the chance borrowers, including small businesses, will be unfairly denied credit or saddled with higher interest rates based purely on their social-media presence. They say federal laws haven't kept up with the trend, leaving borrowers exposed.”

[JPMorgan Chase Plans to Exit Prepaid Card Business](#)

David Henry, Reuters, 1/10/14

[Think the CFPB's Tough? It's Not the Only One](#)

Jim Henry, Automotive News, 1/8/14

“Dealers ought to take a look at a proposal from a consumer advocate group in California that would prohibit ‘dealer markup.’ The group, Consumers for Auto Reliability and Safety, based in Sacramento, is trying to get a bunch of restrictions on dealerships on the state’s November 2014 ballot. Besides the ‘markup’ proposal, the group would also prohibit so-called yo-yo financing, in which a customer has to come back and sign a new finance contract at a higher rate than the original deal.

“Auto finance insiders get frustrated that such proposals are aimed at an out-of-date, no-holds-barred image of auto retailing. But like it or not, many consumers are ready to believe the auto dealer caricature.”

[Richard Cordray Appears on Daily Show](#)

Comedy Central, 1/8/14 - [Cablecast portion](#); [webcast portion](#)

DERIVATIVES, COMMODITIES AND THE CFTC

[CFTC Said Ready to Push Interest-Rate Swaps to Trade Venues](#)

Silla Brush, Bloomberg, 1/9/14

ENFORCEMENT

[JPMorgan Is Penalized \\$2 Billion Over Madoff](#)

Ben Protess And Jessica Silver-Greenberg, NY Times, 1/7/14

“Two men who occupy coveted roles in Manhattan’s power elite, one the city’s top federal prosecutor and the other its top banker, sat down in early November to discuss a case that was weighing on them both. [Preet Bharara](#), the United States attorney in Manhattan, and [Jamie Dimon](#), the chief executive of [JPMorgan Chase](#), gathered in Lower Manhattan as Mr. Bharara’s prosecutors were considering criminal charges against Mr. Dimon’s bank for turning a blind eye to the [Ponzi scheme](#) run by [Bernard L. Madoff](#).

“Mr. Dimon and his lawyers outlined the bank’s defense in the hopes of securing a lesser civil case, according to people briefed on the meeting.

“But at the cordial meeting in Mr. Bharara’s windowless conference room lined with law books, the prosecutors would not budge. Mr. Bharara — flanked by his own lieutenants, including Richard B. Zabel and Lorin L. Reisner — made it clear that he thought the wrongdoing was significant enough to warrant a criminal case.”

[NY Judge OKs JPMorgan \\$1.7B Deal With Government](#)

Larry Neumeister, Associated Press, 1/8/14

“A judge on Wednesday approved a non-prosecution agreement reached after JPMorgan Chase & Co. agreed to pay \$1.7 billion to settle criminal charges stemming from its failure to report its concerns about Wall Street swindler Bernard Madoff's private investment service.

“U.S. District Judge Kevin Castel said there was nothing about the deal between the nation's largest bank and the government that would ‘require judicial intervention to protect the integrity of the process.’ He said it seemed the agreement was ‘knowing and voluntary’ and in the best interests of the public.

“The judge's approval came a day after the deal was announced in Manhattan by federal authorities. The agreement requires the bank to pay the \$1.7 billion forfeiture—the largest by a U.S. bank for a Bank Secrecy Act violation—and to acknowledge failures in its protections against money laundering and reform them.”

[Steep Penalties Taken in Stride by JPMorgan Chase](#)

Peter Eavis, NY Times, 1/7/14

“To settle a barrage of government legal actions over the last year, [JPMorgan Chase](#) has agreed to penalties that now total \$20 billion, a sum that could cover the annual education budget of New York City or finance the Yankees’ payroll for 100 years...

“Yet JPMorgan’s shares are up 28 percent over the last 12 months. Wall Street analysts estimate that it will earn as much as \$23 billion in profit this year, more than any other lender. And JPMorgan’s investment bankers, who on average earned \$217,000 in 2012, can look forward to another lush payday as bonus season approaches.”

[JPMorgan's Madoff Settlement: Are Banks Too Big to Manage?](#)

Harry Bruinius, Christian Science Monitor, 1/8/14

“After the financial collapse plunged the global economy into a Great Recession, requiring billions of dollars in taxpayer bailouts for behemoth [Wall Street](#) banks, many debates centered on whether these financial institutions were ‘too big to fail.’

“But after [JPMorgan Chase](#) watched [Bernie Madoff](#) bilk billions from investors – prompting the US Justice Department to penalize [America](#)’s largest bank a record \$1.7 billion criminal penalty for its failure to warn regulators of the Ponzi scheme percolating within its coffers – some are beginning to ask: Are these colossal banks also too complex to manage, let alone to regulate?

“While new restrictions, including the [Dodd-Frank act](#) (2010) and the Volcker rule, continue to alter banking’s regulatory landscape, federal agencies can only investigate so much, experts say, leaving a bank’s own internal protocols and compliance regimes the first line of defense against practices that can harm the economy.”

[Are Banks Too Big To Jail?](#)

Mark Calabria & Lisa Gilbert, CNN, 1/6/14

“A libertarian from [The Cato Institute](#) and a progressive from [Public Citizen](#) may not often agree on politics or what the proper role of government should be, but we agree the public has been kept in the dark on the ‘too big to jail’ issue for too long. Just over a year ago, many [were stunned](#) when the Department of Justice decided [not to indict](#) HSBC, headquartered in London an one of the world's largest banks. The Justice Department made this decision despite the fact that the bank willfully failed to comply with anti-money laundering laws.

“HSBC's [criminal activities](#) seemed to most observers to provide a strong case for the government. These activities included permitting narcotics traffickers to launder hundreds of millions of dollars of drug proceeds through HBSC subsidiaries. It also facilitated hundreds of millions of dollars in transactions on behalf of customers in countries that are sanctioned by the United States: Cuba, Iran, Libya, Sudan and Myanmar (formerly known as Burma).

“But instead of charging HSBC, the Justice Department [entered into](#) a deferred prosecution agreement.”

[Bill Would Boost Disclosures in Corporate Settlements With U.S.](#)

Jim Puzzanghera, Los Angeles Times, 1/8/14

“Concerned that targets of federal investigations are getting off lightly, two senators proposed legislation requiring the government to disclose all the details about settlements that allow companies to duck trials on allegations of wrongdoing.

“The bipartisan legislation, unveiled Wednesday by Sens. [Elizabeth Warren](#) (D-Mass.) and [Tom Coburn](#) (R-Okla.), reflects concern on Capitol Hill that big banks such as [JPMorgan Chase & Co.](#) and other companies involved in the subprime housing boom and financial crisis often settle to avoid potentially steeper penalties and court costs. Federal officials often tout the dollar amounts obtained in settlements, Warren and Coburn said, but those figures can be misleading because credits and tax deductions reduce the actual amount paid by the companies.”

[Why Prosecutors Let JPM Skip 'Jail' with \\$2.6B Settlement](#)

Chris Cumming, American Banker, 1/7/14

[Like JPMorgan, Regulators Could Have Done More to Stop Madoff, Experts Say After \\$2.6 Billion Settlement](#)

Brett Wolf, Compliance Complete, 1/8/14

[With Crisis Behind Him, S.E.C.'s Co-Chief of Enforcement Is Leaving](#)

Ben Protess, 1/3/14

“The tenure of George S. Canellos, who was co-chief of enforcement, covered one of the most significant periods in the agency's 80-year history. Mr. Canellos joined in 2009, after the agency's failure to detect [Bernard L. Madoff's Ponzi scheme](#) made it a symbol of regulatory incompetence.

“Nearly five years later, as the agency has regained its footing, Mr. Canellos leaves behind a productive yet complicated legacy.”

Wall Street Predicts \$50 Billion Bill to Settle U.S. Mortgage Suits

Jessica Silver-Greenberg & Peter Eavis, NY Times, 1/9/13

“Wall Street could pay nearly \$50 billion to buy peace from federal authorities who are taking aim at the banks over their role in the mortgage crisis, according to interviews and a confidential analysis of the industry’s potential legal exposure.

“Bracing for a potential reckoning, the banks and their outside lawyers are quietly using JPMorgan Chase’s record \$13 billion mortgage settlement in November to do the math and determine just how much each bank might have to pay to move beyond the torrent of government mortgage litigation that has dogged them since the financial crisis.”

The Financial Crisis: Why Have No High-Level Executives Been Prosecuted?

Jed S. Rakoff, New York Review of Books, 1/9/14

“Five years have passed since the onset of what is sometimes called the Great Recession. While the economy has slowly improved, there are still millions of Americans leading lives of quiet desperation: without jobs, without resources, without hope.

“Who was to blame? Was it simply a result of negligence, of the kind of inordinate risk-taking commonly called a “bubble,” of an imprudent but innocent failure to maintain adequate reserves for a rainy day? Or was it the result, at least in part, of fraudulent practices, of dubious mortgages portrayed as sound risks and packaged into ever more esoteric financial instruments, the fundamental weaknesses of which were intentionally obscured?”

EXECUTIVE COMPENSATION

Year One of the Pay Ratio Era

Sam Pizzigati, TooMuchOnline, 1/6/14

“Wall Street’s bonus totals for 2013 won’t go public until next month. But power suits are already smiling. Financial engineering, as start-up specialist Wolf Richter puts it, ‘had a glorious year.’ New corporate junk bond issues rose 12 percent in 2013, to an all-time \$477 billion high. And initial public stock offerings rose 58 percent, to \$61.3 billion. Wall Street’s share of the banking fees for all these deals will hit \$36 billion, a record level last seen in 2007, the year before the global financial meltdown. Wall Street’s biggest winners? The suits at JPMorgan Chase. They collected nearly a tenth of the year’s global financial fees. JPMorgan CEO Jamie Dimon took in \$18.7 million for his 2012 labors, down from \$23 million the year before. His final 2013 pay total figures to rebound.”

FEDERAL RESERVE

The Big Issues Facing Fed Chair Janet Yellen

Peter Coy, Bloomberg, 1/9/14

“Monetary policy aside, regulation is a huge issue for Yellen. The U.S. still hasn’t reached agreement with other nations on a reliable system for handling the failure of big global banks. And as economists Anat Admati and Martin Hellwig wrote last year in *The Bankers’ New Clothes*, banks continue to pose a risk to taxpayers, because their safety cushion of equity is too thin.”

[Fed Vacancies Prompt Push to Name Community Banker](#)

Joshua Zumbrun, Bloomberg Personal Finance, 1/8/14

“The Federal Reserve Board of Governors that’s taking shape under [Janet Yellen](#) has a conspicuous and unusual absence: anyone with a community-banking background. The lack of a representative is raising anxiety among executives of the almost 7,000 banks in the United States with assets under \$10 billion, many of them struggling to understand and influence the Fed’s overhaul of the financial system under the Dodd-Frank Act.

“I’ve been in the banking industry for over 30 years and in my entire tenure there’s always been at least one governor that understood the community-banking industry,” said Camden Fine, the president of the [Independent Community Bankers of America](#). “We’re letting our feelings be known to the White House and Congress. We feel strongly that someone should.”

[Yellen: We May Need More Than Dodd-Frank](#)

Peter Schroeder, The Hill, 1/9/14

[Warren “Not Sure” About Fischer on Fed](#)

Elizabeth Warren Interviewed on Bloomberg TV, 1/10/14

HIGH-SPEED TRADING

[High-Speed Traders Form Trade Group to Press Case](#)

Bradley Hope & Scott Patterson, Wall St. Journal, 1/5/14

“High-frequency traders are going on defense. To counter what they say is the industry’s unfair reputation as a disruptive force in the markets, a group of high-frequency trading firms have hired a pair of heavy-hitting political strategists and formed a trade group to press their case with regulators and lawmakers.

“The strategists, Kevin Madden and Erik Smith, last week submitted paperwork to found a group called the Modern Markets Initiative, with headquarters in Washington, D.C. Backed by four high-speed firms, it plans to bolster a website Tuesday that will include a video arguing that high-frequency traders have made the financial markets cheaper and faster for investors, a blog to respond to critics and links to academic research.

“Mr. Madden helped run Mitt Romney’s 2012 presidential campaign, and Mr. Smith was a senior adviser to Barack Obama’s 2008 and 2012 campaigns.”

INVESTOR PROTECTION & SEC

[SEC’s Aguilar Criticizes Exemptions for Rating Agencies](#)

Luis Aguilar, Public Statement, 1/8/14

MORTGAGES / FORECLOSURES / HOUSING

[Elizabeth Warren Salutes the New Mortgage Rules](#)

[Transcript](#) and [video](#) of Senate floor speech, 1/7/14

“... Five years ago, during the 2008 financial crisis, we witnessed firsthand that the market for home mortgages was badly broken. The fundamental problem was that many lenders issued mortgages without any concern about whether the borrower would be able to repay those mortgages in the long run. Now, why would they do that? They did it because they could immediately sell the mortgage to another financial institution. If the borrower couldn't pay, that would turn out to be someone else's problem. And we all know what happened next: millions of these dangerous mortgages were bundled together, sliced, diced, slapped with AAA ratings, and then sold to retirement funds and local governments and investors all over this country. When borrowers couldn't make their monthly payments, the bundles of mortgages began collapsing, and the effects were felt in every corner of the economy.

“This Friday, that basic business model will change, thanks to the Consumer Financial Protection Bureau's new mortgage rules. When these rules go into effect, lenders will be able to issue a mortgage only after they determine that the borrower has the ability to repay it. Lenders will no longer be able to make loans they know will blow up, and then feed those dangerous loans into the financial system. Because of the consumer agency's new rules, families will be safer, pension funds and other investors will be safer — our whole economy will be safer. Not completely safe, but with a new cop on the beat, it will be safer...”

[New Mortgage Rules Protect American Dream](#)

Richard Cordray, USA Today, 1/7/14

“Let me tell you a common story I hear. It starts with a woman in 2005 or 2006 who took out a mortgage to buy her first home. After two years, her teaser interest rate expired. Her monthly payments doubled so she could no longer afford them.

“When she sought help from her lender, she found that a different company, a mortgage servicer, was handling the loan. When she tried to contact the servicer to figure out a way to save her home, she got passed from one representative to another, each giving conflicting information about her options. She sent in the same paperwork multiple times. Finally, she thought her application for a loan modification was being considered, but before she heard anything further, her home was in foreclosure...”

[New Mortgage Rules Strike The Right Balance](#)

Barry Zigas, The Hill, 1/3/14

“A new proposed regulation to curb securitization abuses that helped stoke the housing bubble - by requiring issuers to retain risk on mortgages backing securities -- has some critics warning that it will exempt too many mortgages and reignite irresponsible lending.

“Everyone should be wary of causing a replay of the mayhem that drove the housing bubble and financial crash. But in this case, the critics are wrong. Regulators have crafted a smart and sensible compromise that achieves the difficult task of balancing accountability and safety with reasonable access to credit, particularly for those with good credit but low wealth.”

[With the New Year, New Consumer Protections on Mortgages](#)

Ann Carrns, NY Times, 1/4/14

[CFPB May Revisit Small Bank QM Exemptions](#)

Rachel Witkowski, American Banker, 1/8/14

“The Consumer Financial Protection Bureau could consider expanding exemptions for small lenders from its qualified mortgage rule after it goes into effect on Friday, according to Richard Cordray, the agency's director. During a discussion hosted by the National Association of

Realtors on Tuesday, Cordray said the CFPB attempted to carefully craft the exemption to avoid burdening smaller lenders, but was open to adjustments once the agency sees the rule's impact...

"The National Association of Realtors estimates that the QM rule will cut back another 5% to 7% of credit underwriting on top of the 15% cutback already seen in recent years, said Lawrence Yun, the Realtors' chief economist and senior vice president of research..."

"But Barry Zigas, director of housing policy at the Consumer Federation of America, cautioned that the industry should not place the blame for credit tightening on the QM or ability-to-repay rules. Rather, it should focus its attention on broader and potentially more crippling issues like tighter underwriting standards for Fannie Mae and Freddie Mac loans, the need for housing reform and rising interest rates..."

"The restrictions of credit that exist today... are not a result of fears about ATR or QM. They are a result of other factors. Some of them are a response, reaction to loose lending practices that lead to the crisis," Zigas said. "It's a huge missed opportunity that's not at all a result of these consumer protection requirements written in Dodd-Frank or by the CFPB. And I think all of us need now to turn our attention away from focusing on this reg — which I think the bureau got plenty right — and focusing on these larger issues."

Major Banks to Continue Making Interest-Only, Non-QM Loans

Kate Berry, American Banker/National Mortgage News, 1/7/14

"The nation's top banks will all continue making interest-only mortgages — primarily to wealthy borrowers — even though such loans do not conform to new mortgage regulations that take effect this week."

"The Consumer Financial Protection Bureau's qualified mortgage rule that goes into effect Friday requires that lenders document a borrower's ability to repay a loan. But interest-only loans are excluded from being considered ultra-safe 'qualified mortgages' because borrowers often face payment shock once they are required to start paying principal, typically after five to seven years of paying just interest."

Wells Fargo Creates SWAT Team to Keep Loans In-House

Dakin Campbell & John Gittelsohn, Bloomberg Personal Finance, 1/8/14

"Wells Fargo & Co., the largest U.S. home lender, has assigned about 400 underwriters to originate mortgages for the bank to hold, with as many as 40 percent of those loans likely to fall outside government guidelines taking effect this week."

"The bank is training the group as a way to increase lending without losing control of quality, according to Brad Blackwell, head of portfolio lending for the San Francisco-based lender. The group will review loans including those with terms that prevent them from qualifying for protections provided by the Consumer Financial Protection Bureau, or CFPB, under new rules, he said."

Foreclosure Tax Relief Measure Expires

Harriet Jones, WNPR (Connecticut), 1/8/14

[SEC Mortgage Probe Of Goldman Sachs, J.P. Morgan and Citigroup Is Much Ado About Nothing](#)

Paul Kuplec, Forbes, 1/9/14

[Mortgage Tax Break Expires Despite Bipartisan Support in Congress](#)

Jim Puzzanghera, Los Angeles Times, 12/31/13

“A 6-year-old tax break for struggling homeowners who won reductions in their mortgages has expired, alarming housing advocates and lawmakers who said it still was needed despite the real estate market rebound.

“Enacted by [Congress](#) in the wake of the subprime housing market crash, the break gave homeowners a free pass on taxes they otherwise would owe for aid they received from banks, basically reductions in mortgage debt and so-called short sales.”

STUDENT LOANS

[How Government Upended the Student Loan Market](#)

Christopher Payne, Bloomberg Government (paywalled), 1/8/14

“The federal government has ended its student loan guarantee program and interest rates have been cut substantially for almost all new and existing Department of Education loans. As a result, the private market faces increasing challenges competing with the government. For instance, JPMorgan Chase & Co. recently decided to exit the student loan business.

“Purely private-sector lending (with no government guarantee) has shrunk from 23 percent of loans made in the 2007-2008 academic year to 7 percent of loans in 2012-2013.”

[Student Loan System Needs An Overhaul](#)

Balaji Rajan, The Hill, 1/7/14

SYSTEMIC RISK

[House Financial Services Chairman to Seek Volcker Rule Change](#)

Floyd Norris, NY Times, 1/7/14

“When Zions Bank announced last month that it expected to take a big loss because of the [Volcker Rule](#), it set off alarms all over Washington. Regulators scrambled to say they were considering changing the rule, but that was evidently not enough for some legislators.

“Representative Jeb Hensarling, a Republican of Texas and chairman of the House Financial Services Committee, is expected to propose a bill that could open up a huge loophole in the rule. The proposed change could allow banks to create and own securities with many types of investments that are barred under the Volcker Rule, which is intended to prohibit speculative trading by banks while letting them both make markets for customers and hedge other investments.”

[Democrats Push Regulators for Volcker Rule Fix](#)

Peter Schroeder, The Hill, 1/8/14

“Democratic members of the banking panel argued in a letter sent Tuesday to financial regulators that small banks that invest in a particular sort of security should have those investments exempted from the regulation... The letter, helmed by Rep. Maxine Waters, the top Democrat on the committee, could be seen as an attempt to cut off a brewing effort from committee Republicans to alter the Volcker Rule through legislation.”

Regulators Cave Quickly in First Volcker Rule Battle

Stephen Gandel, CNNMoney, 1/6/14

“Later this week, regulators are expected to finalize a rule that will allow banks to continue to hold a complicated, risky structured bond that was set to be banned by the Volcker Rule.

“The fight started a few weeks ago from an unlikely source. In mid-December, Salt Lake City-based Zions Bancorp said it was being forced to take a \$387 million loss, more than the bank had earned in any single year since 2007. The reason: Volcker.”

U.S. Lawmakers Take Banks' Side In Volcker Dispute Over Trust-Preferred Securities

Emily Stephenson, Compliance Complete (paywalled), 1/9/14

(See [The Volcker Rule Is Already Having An Impact](#), by AFR Policy Director Marcus Stanley.)

Shadow Banking Is Booming Outside Regulators' Grip

Sheridan Prasso, Bloomberg (QuickTake), 1/8/14

“The catchall phrase ‘shadow banking’ encompasses risky investment products, private lending between individuals, pawnshop and loan-shark operations in emerging markets, as well as more respectable activities like derivatives, money-market funds, securities lending and [repurchase agreements](#) at financial institutions in Europe and the U.S. The common denominator is that these activities flourish outside the regular banking system and often beyond the control of regulators and monetary policy. Together they show how hard it is to restrict risky lending without causing harm.”

A Roadblock to Brawny Bank Reform

Gretchen Morgenson, NY Times, 1/4/14

“Regulators made some real progress last year attacking the risks of too-big-to-fail banks. The [Volcker Rule](#) and other Dodd-Frank reforms were completed, and, perhaps even more important, three big regulators devised a proposal for tougher capital rules intended to ensure that banks would never require a government bailout when their risky bets went bad.

“But action on that last crucial bit of business has ground to a halt. Officials at the [Federal Deposit Insurance Corporation](#) had hoped that the rule they proposed last July along with the [Federal Reserve Board](#) and the Comptroller of the Currency would be set in stone by the end of the year. It was not.

“It is unclear why. But last month, Bloomberg News [reported](#) that unnamed Fed officials were suggesting that approval of the proposed leverage ratio be put off until overseas regulators agreed to a framework that would apply to their nations’ banks as well.

“Arguing for international agreement on regulations is a time-honored stall tactic among industries interested in thwarting tough rules.”

[Why You Should Pay Attention To Senator Brown's Hearing On Bank Bailouts](#)

Marcus Stanley, AFR Blog, 1/9/14

"Today the Senate Banking Committee's Subcommittee on Financial Institutions is [holding a hearing](#) on a central question of financial reform – the progress (or lack of it) that has been made on rationalizing the public safety net to ensure that the financial sector doesn't benefit from inappropriate taxpayer support.

"Senator Brown's hearing deserves wide attention. Considering the trillions of dollars in public support provided by the Federal Reserve to Wall Street and foreign banks over the 2008-2009 period, it's notable that many Dodd Frank rules designed to limit such support in the future have not gotten much public scrutiny. As the [General Accounting Office report](#) to be discussed at the hearing points out, many of these rules have not been completed and their effectiveness remains uncertain. For example, regulators have not even proposed rules for the 'swaps push out' provision limiting the public backstop for derivatives dealing at major Wall Street banks, and they have also granted Wall Street a two year extension on any compliance with the law."

[The Loopholes in the Volcker Rule](#)

Lee Sheppard, Forbes, 1/8/14

[Did Big Banks Continue To Misprice Mortgage Securities After The Downturn?](#)

Treflis Team, Forbes, 1/9/14

OTHER TOPICS

[Big Six U.S. Banks' Record 2013 Profit Thwarted by Legal Costs](#)

Hugh Son, Bloomberg, 1/9/14

"JPMorgan allocated \$11.1 billion to litigation and legal costs during the first nine months of 2013, the most among the six lenders, according to quarterly [reports](#) banks filed with the Federal Reserve. That compared with \$4.8 billion at Bank of America Corp. and \$1.4 billion at Citigroup Inc.

"The six banks' combined litigation and legal expenses in the nine months rose 76 percent from a year earlier to \$18.7 billion, higher than any annual amount since at least 2008. The costs increased at all the firms except Wells Fargo, where they fell 1.2 percent to \$413 million, and Morgan Stanley, which reported a 14 percent decline to \$211 million.

"Even into 2014, legal could be a drag for the whole industry,' said [Pri de Silva](#), senior banking analyst at CreditSights Inc. in New York. 'But it can't be any worse than it was last year.'"

[Financial Watchdog OFR Stumbles Early](#)

Darrell Delamaide, USA Today, 1/7/14

"... The OFR, created by the 2010 Dodd-Frank financial reform act, would be quick to point out that it is not a financial regulator per se. But its mission of monitoring the financial system for possible risks that could bring on a new crisis make it potentially a major player in identifying sectors that require new regulation.

"That accounts for the barrage of criticism that greeted the OFR's first formal report on a sector that might need the enhanced regulation for 'systemically important financial institutions' —

namely, the asset management sector that includes mutual funds and other forms of collective investment.”

What to Expect From Financial Regulators in 2014

Cady North, Bloomberg Government (paywalled), 1/9/14

“Don’t expect any congressional efforts that tinker with Dodd-Frank to succeed, even if technical problems with the law arise. Funding levels for the Commodity Futures Trading Commission and Securities Exchange Commission will be the subject of additional debate during appropriations season. The CFTC has asked for more than a 50 percent funding increase to carry out its work under Dodd-Frank, yet funding levels at the agency have changed little since 2011. The Senate will also be considering nominees to the CFTC and other key regulatory agencies, appointments that could influence significant policy changes.

“As they approach the finish of Dodd-Frank rule writing, regulators will begin a multiyear process of refining Dodd-Frank policies and creating enforcement strategies for its rules. Expect administrative guidance to shape implementation.

“Regulators will also begin extending their reach beyond the letter of the law to manage specific and outstanding systemic risk issues, including aspects of shadow banking (such as money market funds, securities lending and repurchase agreements), high-frequency trading, market structure, and designating other large nonbanks as systemically important...”

Financial Engineering Wildest Since the 2007 Bubble

Wolf Richter, Naked Capitalism, 12/23/13

Why Wall Street Should Be Allowed to Embrace Risk

Richard X. Bove, American Banker, 1/6/14

Analyst Dick Bove Defends Big Banks, Slams Regulator

Maria Aspan, American Banker, 1/9/14

“Big banks don’t have many loud cheerleaders these days, but they might not need many more than Dick Bove. The [longtime bank analyst](#) has been on a somewhat solitary mission to defend the banking industry, and especially its largest companies, against many of the criticisms it has faced since the financial crisis...”

“In a new book, Bove takes aim at what he sees as vindictive media coverage, politicians’ irresponsible reactions to the crisis and burdensome, ineffective regulation. He is particularly incensed about the Dodd-Frank Act, the sweeping (if unwieldy and still partially-undefined) financial reform law passed in 2010.”

Slump in Trading Threatens a Wall Street Profit Engine

Saabira Chaudhuri & Julie Steinberg, Wall St. Journal, 1/6/14

Liberal Groups Hit Obama For ‘Egregious’ Regulation Delays

Tim Devaney, The Hill, 1/8/14

Cost-Benefit Analysis of Financial Regulation: Case Studies and Implications

John Coates, Harvard Law School, 1/4/14