
AMERICANS FOR FINANCIAL REFORM

THIS WEEK IN WALL STREET REFORM December 7 – December 13, 2013

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VOLCKER RULE

[Regulators Adopt Final Volcker Rule Limits on Bank Trading](#)

Danielle Douglas, Washington Post, 12/10/13

"Government regulators ushered in a new era of oversight Tuesday aimed at reining in Wall Street risk-taking, voting to prevent big banks from trading for their own benefit.

"The 'Volcker rule,' named after former Federal Reserve chairman Paul Volcker, also bars banks from owning hedge funds and private-equity funds. The centerpiece of the 2010 Dodd-Frank financial overhaul law took three years to complete as government infighting and intense lobbying by banks slowed the process.

"The strength of the rule is the scope of the compliance regime,' said Marcus Stanley, policy director of **Americans for Financial Reform**. 'The regulators correctly realized that most proprietary trading is hidden within supposedly innocent activities like hedging or market-making.'

"He said the rule offers guidelines that are only as effective as the regulators that implement them."

[Banks Need the Volcker Rule](#)

Editorial, USA Today, 12/9/13

"Wall Street lobbyists worked furiously for three years to water the rule down, ultimately producing a complex document of nearly [1,000 pages, including the preamble](#). A simpler rule would have been less easily abused. But the basic principle remains sound: High-risk trading should be left to hedge funds and other institutions that are small enough to fail without bringing down whole economies. The largest American banks have assets and liabilities in the range of \$2 trillion, which would make their collapse catastrophic.

"The dirty little secret of banks is that they owe much of their good fortune to the government. People give them money because the Federal Deposit Insurance Corporation [insures bank deposits up to \\$250,000](#) (\$500,000 for joint accounts). The Fed has a lending window to help banks in a pinch. And, in the event of a severe crisis, the government has little choice but to step in as it did in 2008 and 2009.

“All this means that when banks are in the hedge-fund business, they are betting their futures with other people's money — and much of that in some way is connected to taxpayers. This situation is fraught with danger because bank traders will almost always conclude that they can outsmart other traders for quick returns.”

[Finally, the Volcker Rule](#)

Editorial, NY Times, 12/13/13

“The success of the Volcker Rule, [unveiled this week](#), depends on federal regulators doing what they failed to do in the run-up to the financial crisis and have done only haltingly since then: Enforce the spirit as well as the letter of the law against the wishes of powerful banks.

“The rule, a pillar of the Dodd-Frank financial reform of 2010, is intended to curb recklessness by barring banks from trading for their own gain, disconnected from clients’ needs and demands. The sound premise is that taxpayers, who back the banks, should not be on the hook for speculation undertaken for the purpose of generating big bonuses for traders and executives.

“In a hopeful sign that regulators mean business, the final version of the rule is stronger than earlier drafts in crucial ways. In particular, it is better at distinguishing impermissible self-serving speculation from allowable trading designed to lessen bank risk and serve clients.”

[The First Volcker Rule Loophole?](#)

Nancy Marshall-Genzer, Marketplace, 12/10/13

“Critics say that flexibility was baked into the rule by bank lobbyists. Lobbyists and lawyers aren’t the only ones pouring over thick stacks of paper. So is [Marcus Stanley](#), who is with the consumer group **Americans for Financial Reform**.

“If you open this rule to any random page you’re going to see words like reasonable, as necessary,’ he says. ‘Words that require judgment by the regulators.’ Stanley says there need to be limits on how flexibly the rules are implemented. Otherwise, he says, banks will find loopholes and, in his words, blast them wide open.”

[The Biggest Problem With the Volcker Rule](#)

Ezra Klein, Washington Post, 12/11/13

“[A] conversation I had with Sen. Jeff Merkley, one of the regulation's most ardent backers, was a reminder of how difficult it will be for the Volcker rule -- and much of Dodd-Frank -- to work when it's most needed.

“I asked Merkley whether he was happy with the rule. ‘By and large yes,’ he said. ‘But the real proof will be how regulators enforce them. There's a lot of wiggle room for regulators.’ That's a giant, red flashing light. Almost by definition, a financial bubble can only occur during a period when regulators are inclined to give banks a lot of leeway. If the Volcker rule doesn't work in periods of bubble psychology, it's not going to be much of a defense against bubbles.”

[Why Volker Rule Could Be Hidden Jewel In Dodd-Frank](#)

Peter Morici, Fox News, 12/10/13

“As difficult as it may be for Jamie Dimon, CEO of J.P. Morgan Chase, to accept, now that the Volcker Rule makes it illegal for entities owning a commercial bank to engage in proprietary trading, it may be the best business decision for his firm to spin off its bank. Chase Bank can

stand on its own -- and would better serve the economy as a bank focused on taking deposits, making loans and offering a range of consumer financial services -- life insurance, retail brokerage services and trust activities.

“Let J.P. Morgan be independent and wheel and deal -- and in the process create wealth and jobs like few businesses, other than those in Hollywood and the Silicon Valley, can -- but not with a government guarantee of its solvency. If it gets in over its head -- let it fail.”

The Volcker Rule: Wins, Losses and Toss-ups

Alexis Goldstein, *The Nation*, 12/13/13

“After three years, multiple missed deadlines, and [at least 111 meetings between regulators and Wall Street groups](#) (versus only twelve meetings with pro-reform groups), we *finally* have a [final version of the Volcker Rule](#)—and if properly enforced, it will change the business of banking for the better.

“The Volcker Rule aims to ensure that banks that enjoy the backing of the federal government and the cushion of customer deposits do not get to make risky bets (or, in the language of the rule, ‘proprietary trades’). In other words, banks that have a taxpayer-provided parachute don’t get to [BASE jump](#) off of mountains for the thrill (and profit) of it.

“It was a long path to get here: Senators Jeff Merkley and Carl Levin authored the law in 2010, as a part of the Dodd-Frank Act. Financial regulators were responsible for writing the final rule. A draft was published in 2011, and 18,000 comment letters were written, the vast majority by Wall Street interests. But reformers also wrote letters, including [Americans for Financial Reform](#), [Better Markets](#), [Public Citizen](#) and a letter from the group “[Occupy the SEC](#)” that I co-authored. Despite being vastly outnumbered, reformers made a real difference: the final rule rejected many of the additional exemptions banks wanted, and it is stronger than the draft in many key places.”

Two Cheers for the New Volcker Rule

John Cassidy, *New Yorker*, 12/10/13

“Jacob Lew, the Treasury Secretary, deserves credit for pushing all sides to reach a resolution by the end of 2013, something that had seemed unlikely. Also worthy of a shout-out are Gary Gensler, the soon-to-be-departed head of the C.F.T.C., who stood up to some of the banks’ more self-serving demands, and Democratic Senators Jeff Merkley and Carl Levin, two of Volcker’s closest allies on Capitol Hill, who kept up the political pressure. In [a joint statement](#), the two senators hailed the new rule, saying, ‘We fought for the Merkley-Levin provision of the Dodd-Frank Act in order to put a strong firewall between banks and hedge-fund-style high-risk trading. Today is a big step toward that goal.’

“That’s arguably true, but there are still reasons to be concerned. If you spend some time reading the new rule and the nine-hundred-page [background paper](#) that the regulators provided, you will find a number of weaknesses in the new regime that the banks will surely seek to exploit. The ban on proprietary trading... doesn’t apply to government bonds, including those issued by the federal mortgage agencies and by municipalities. If Goldman or Morgan Stanley want to short Treasury securities, or the city of Chicago, they can go right ahead. Also excluded from the restrictions are physical commodities, such as oil and gold, and spot foreign-exchange contracts. (Cue loud cheers on the commodity trading and FX desks at places like Citi and JPMorgan.)”

[Occupy the SEC's Volcker Rule Role](#)

Stephanie Armour, Wall Street Journal, 12/11/13

[The Volcker Rule Is Nearly Finished. Here's How We'll Know If It's Any Good](#)

Mike Konczal, Washington Post, 12/7/13

[Volcker Rule Will Force U.S. Banks to Comply With Five Regimes](#)

Jesse Hamilton and Cheyenne Hopkins, Bloomberg, 12/7/13

[Is the Volcker Rule Susceptible to a Scalia Challenge?](#)

Joe Palazzolo, Wall Street Journal, 12/9/13

[Glass-Steagall Fans Plan New Assault if Volcker Rule Deemed Weak](#)

Phil Mattingly and Cheyenne Hopkins, Bloomberg, 12/9/13

[What is the Volcker Rule that five regulators just approved?](#)

Simone Pathe, PBS, 12/10/13

[Will the Volcker Rule Change the Culture of Wall Street?](#)

Jeffrey Brown, PBS, 12/10/13

[Banks' World Under Dodd-Frank Takes Shape With Volcker Rule](#)

Clea Benson and Dave Michaels, Bloomberg, 12/11/13

[How to Make Sure Volcker Rule Survives Courts](#)

Eric A. Posner and E. Glen Weyl, Bloomberg, 12/10/13

[Everything You Need to Know about the Volcker Rule](#)

Neil Irwin, Boston Globe, 12/10/13

[Cheat Sheet: Regulators Release Specifics on the Final Volcker Rule](#)

Donna Borak, American Banker, 12/10/13

[Keep Your Expectations for the Volcker Rule Low](#)

Jonathan Weil, Bloomberg, 12/10/13

[Here's the Story Behind the Big Wall Street Reform Rule That Was Just Approved](#)

Erika Eichelberger, Mother Jones, 12/10/13

[Volcker Rule Allows Both Banks and Regulators to Declare Victory](#)

Robert Schmidt, Bloomberg, 12/10/13

[There Are Six Big Arguments Against the Volcker Rule. Here's Why They're Wrong.](#)

Mike Konczal, Washington Post, 12/10/13

[Volcker Rule Should Bring Some Order to Financial Reform](#)

Editorial Board, Washington Post, 12/10/13

[The Volcker Rule Is Tough. It's Complicated. Will It Be Effective?](#)

Peter Coy, Bloomberg BusinessWeek, 12/11/13

[Is the Volcker Rule Too Soft on Wall Street?](#)

Sheelah Kolhatkar, Bloomberg, 12/11/13

[The Volcker Rule](#)

Yalman Onaran, Bloomberg, 12/11/13

[Will The Volcker Rule Work?](#)

Michael Bobelian, Forbes, 12/11/13

[The Volcker Rule Cites The Occupy Movement 284 Times](#)

Lydia DePillis, Washington Post, 12/11/13

[Volcker Says He Didn't Help Write Rule That Bears His Name](#)

Yalman Onaran, Bloomberg, 12/11/13

[How Volcker Rule Would Limit Banks' Risky Bets](#)

Marcy Gordon, Associated Press, 12/11/13

[Enforcing the Volcker Rule](#)

William Alden, New York Times, 12/11/13

[At the Finish Line on the Volcker Rule](#)

Ben Protess and Peter Evans, New York Times, 12/10/13

[New Volcker Rule Is a Bonanza For Lawyers](#)

Matt Miller, Washington Post, 12/11/10

[With the Volcker Rule, the More Regulators the Merrier](#)

David Zaring, New York Times, 12/9/13

[Regulators Adopt Final Volcker Rule Limits On Bank Trading](#)

Danielle Douglas, Washington Post, 12/10/13

[Banks, Lawyers Struggling to Evaluate Final Volcker Rule](#)

Donna Borak, American Banker, 12/11/13

[AFR Statement on Final Approval of Volcker Rule](#)

Statements by [Public Citizen](#), [USPIRG](#), [Better Markets](#)

CONSUMER FINANCE AND CFPB

[How Strict Limits On Debit-Card Fees Created More Free Checking](#)

Karen Weise, Bloomberg Businessweek, 12/11/13

“The financial crisis wrought changes to all corners of consumer finance, reshaping everything from [mortgages](#) to credit cards and debit cards as new laws came into force and shifted markets. Five years after the crash, researchers finally have enough data to begin to understand the scope of intended and unintended changes introduced by the reforms.

“One recent paper found that the 2009 CARD Act, which banned such profitable credit-card practices as increasing interest rates with minimal notice, has saved consumers [\\$20.8 billion annually](#), although banks note that the change has also constricted access to credit. Now a [new analysis](#) from the Federal Reserve Bank of Kansas City finds that caps on swipe fees for debits cards have, almost counter-intuitively, given consumers more access to free checking accounts.”

[GE Capital Retail Bank Agrees To Refund \\$34.1 Million, Improve Card Disclosures](#)

Carter Dougherty and Tim Catts, Bloomberg, 12/10/13

“General Electric’s retail finance unit will refund as much as \$34.1 million to more than 1 million people who U.S. regulators said were deceptively enrolled in a [credit card](#) for medical debt.

“GE Capital Bank entered into a consent agreement with the Consumer Financial Protection Bureau, which said in a statement today that the company’s CareCredit business sold consumers a card at the offices of doctors, dentists and other providers to cover medical debt with a ‘deferred interest’ provision that resulted in annual interest payments as high as 26.99 percent.”

[When Lenders Sue, Quick Cash Can Turn Into a Lifetime of Debt](#)

Paul Kiel, ProPublica, 12/13/13

“Five years ago, Naya Burks of St. Louis borrowed \$1,000 from AmeriCash Loans. The money came at a steep price: She had to [pay back \\$1,737 over six months](#).

‘I really needed the cash, and that was the only thing that I could think of doing at the time,’ she said. The decision has hung over her life ever since.

“A single mother who works unpredictable hours at a chiropractor’s office, she made payments for a couple of months, then she defaulted. So AmeriCash sued her, a step that high-cost lenders – makers of [payday](#), [auto-title](#) and [installment](#) loans – take against their customers tens of thousands of times each year. “

[Consumer Bureau Hits Medical Financing Company Carecredit With \\$34.1 Million Action](#)

Danielle Douglass, Washington Post, 12/10/13

[It's Time To Regulate Consumer Privacy](#)

David Lazarus, LA Times, 12/10/13

[GE's Carecredit Card To Refund \\$34M To Customers](#)

Associated Press, 12/10/13

[Next Obama Witch Hunt: Racism In Auto Lending](#)

IBD Editorial Board, Investor’s Business Daily, 12/10/13

DERIVATIVES, COMMODITIES AND THE CFTC

[What Wall Street Can Do to Avoid Overregulation](#)

Sanjay Sanghoo, Time, 12/11/13

“The sheer size of the derivatives market, estimated at \$630 trillion dollars, and its inherent volatility offer opportunities for huge profit-making, but unfortunately also contain the potential for causing chaos throughout the economy, as we saw in 2008. In that case, subprime

mortgage-backed securities and insurance policies on those securities (credit default swaps) combined to form a financial Molotov cocktail, leading to bets being made on the same assets multiple times (thereby worsening the impact of defaults on the underlying mortgages), wiping out many billions of dollars in wealth, and ultimately bringing the entire economy down.

“In the wake of that disaster, it is not unreasonable for the Commodity Futures Trading Commission (CFTC) to regulate the derivatives market closely, and to expect US firms to follow roughly the same rules internationally as they do stateside, since cross-border transactions can impact our markets in much the same way that domestic ones do.”

[Gensler Said to Win Volcker Rule Restrictions on Foreign Banks](#)

Robert Schmidt and Silla Brush, Bloomberg, 12/7/13

[CFTC Unveils Position Limits Proposal](#)

Ben Goad, The Hill, 12/11/13

[Trade Associations Launch Court Challenge to CFTC Cross-Border Derivatives Guidance](#)

Stephen Joyce, Bloomberg BNA, 12/9/13

ENFORCEMENT

[SIGTARP Proves That Some Bankers Aren't Too Big To Jail](#)

Danielle Douglas, Washington Post, 12/6/13

“A bank executive in the Hampton Roads area of Virginia was sentenced to 23 years in federal prison. Another from Orlando received eight years. In Stockbridge, Ga., a top bank officer is serving 12 years.

“At a time when the government is being criticized for not holding senior bank executives liable for crisis-era crimes, a little-known federal agency is compiling a growing list of criminal convictions.

“Since 2008, the Office of the Special Inspector General for the Troubled Asset Relief Program has pursued criminal charges against 107 senior bank officers, most of whom have been sentenced to prison. Created to supervise the government bailout of the auto and financial industries, the agency has found dozens of cases of bank executives who misused bailout funds.”

[Credit Suisse Asks to Dismiss N.Y. Attorney General's Suit](#)

Chris Dolmetsch, Bloomberg, 12/11/13

[Criminal Action Is Expected for JPMorgan in Madoff Case](#)

Jessica Silver-Greenberg and Ben Protess, New York Times, 12/11/13

[Wells Fargo Plans Two-Year Ethics Review Amid Bank Scrutiny](#)

Dakin Campbell, Bloomberg, 12/10/13

FEDERAL RESERVE

[GOP Begins 'Rigorous' Review of the Fed](#)

Peter Schroeder, The Hill, 12/11/13

[Fischer Poised to Be Picked as Fed's No. 2](#)

Jon Hilsenrath, Wall Street Journal, 12/11/13

INVESTOR PROTECTION & SEC

[Piwowar Pushes For Stock Market Review](#)

Zachary Warmbrodt, Politico, 12/9/13

“SEC Commissioner Michael Piwowar said today the agency should start a ‘comprehensive, multi-year equity market structure review program,’ following calls by other commissioners for a re-think of fundamental rules for stock trading.

“In [remarks](#) prepared for an Investment Company Institute conference in London, Piwowar, a Republican who joined the SEC in August, said it was ‘troubling’ that the SEC had not conducted a comprehensive market structure review in light of the 2010 ‘flash crash’ and that ‘the commission's inaction needs to be remedied.’”

[Mark Cuban Mocks SEC Lawyers, Hails Feds' Move to Bring In Hired Guns](#)

Jim McElhatton, Washington Times, 12/10/13

[How Markets Are Rigged Against You](#)

CBC News, 12/9/13

HOUSING FINANCE AND MORTGAGES/FORECLOSURES

[Sen. Johnson Says Housing Bill Delayed, Agreement Still Within Reach](#)

Jon Prior, Politico, 12/11/13

“Senate Banking Committee Chairman Tim Johnson conceded today that his panel will not produce a housing finance proposal in the next few weeks that would set up a new housing finance system in place of taxpayer-owned Fannie Mae and Freddie Mac.

“Johnson had previously said he hoped to finish the bill with top Republican Mike Crapo and move it out of committee by the end of the year. Today he said a variety of factors — including the 16-day government shutdown in October — has delayed that timeline.

“‘Though the committee continued to work on housing finance reform through all of this, these curveballs did delay some conversations,’ Johnson said today at an event hosted by the Bipartisan Policy Center. ‘However, I was never going to let this process be dictated by aspirational, and frankly arbitrary, deadlines.’”

“While Johnson gave no new timetable, he said he was still ‘bullish’ on reaching an agreement with Crapo that the committee would approve and move to the Senate floor.”

[N.C. Democrat Confirmed Head of Federal Housing Agency](#)

Jessica M. Karmasek, Legal Newsline, 12/11/13

[Senate Confirms Rep. Mel Watt as Fannie Mae, Freddie Mac Regulator](#)

Jim Puzzanghera, LA Times, 12/10/13

[Housing-Finance Bills Won't Meet 2013 Target, U.S. Lawmakers Say](#)

Cheyenne Hopkins, Bloomberg, 12/11/13

[FHFA's Conservatorship Deputy to Retire](#)

Jon Prior, Politico, 12/11/13

[Watt Now? \(Or, Can Mel Watt Fix the Housing Crisis?\)](#)

Peter Dreier, Huffington Post, 12/13/13

[Richmond Mortgage Eminent Domain Battle Expanding](#)

Carolyn Said, SFGate, 12/9/13

[Fannie, Freddie to Raise Loan Fees](#)

Nick Timiraos, Wall Street Journal, 12/9/13

[Citi, Wells Fargo Sued by L.A. for Discriminatory Lending](#)

Edvard Pettersson, Bloomberg Businessweek, 12/6/13

[Household Net Worth and Growth of Domestic Nonfinancial Debt](#)

NCLC, 12/9/13

SYSTEMIC RISK

[Premature Celebration of Too Big To Fail's Demise: Simon Johnson](#)

Simon Johnson, Bloomberg View, 12/8/13

[Soothing Words on 'Too Big To Fail.' But With Little Meaning](#)

Jesse Eisinger, Propublica, 12/11/13

[Dimon Says Banks Will Reprice Loan Products on Capital Rules](#)

Hugh Son and Dawn Kopecki, Bloomberg, 12/10/13

OTHER TOPICS

[America Has 6,891 Banks – That's Way Too Many](#)

Matthew Yglesias, Slate, 12/2/13

“About 1,640 banks have vanished since the end of 2007, either due to merger or failure, so if you want to get into the banking game, the best approach has been to simply take over a failing bank. But did I mention that despite the huge reduction in the number of banks in this country there are still 6,891 banks in America? That's a lot of banks.

“And indeed the flipside to the much-discussed problem of the American megabank is the less-discussed problem of America having far far far too many banks. There are three basic

problems with the microbanks: They are poorly managed... They can't be regulated...They can't compete...”

[Financial World Still Hasn't Learned From Bernie Madoff](#)

Charles Gasparino, New York Post, 12/10/13

[Criminalizing Insider Trading Promotes Economy-Weakening Egalitarianism](#)

Keith Weiner, Forbes, 12/11/13

[What If 99% of Banks Disappeared?](#)

Paul Davis, American Banker, 12/6/13

[Gregg to Step Down From SIFMA](#)

Zachary Warmbrodt, Kate Davidson and MJ Lee, Politico, 12/12/12

[Why Patent Reform Matters to Banks](#)

Victoria Finkle, American Banker, 12/6/13

[What Obama Left Out of His Inequality Speech: Regulation](#)

Thomas O. McGarity, New York Times, 12/8/13

[Demographics, Tech Worry Bank Chiefs More than Regs](#)

Kate Berry and Kevin Wack, American Banker, 12/10/13

[Warren Hits Banks, Expands Base to Solidify Senate Power](#)

Kathleen Hunter and Annie Linskey, Bloomberg, 12/9/13

[Dodd-Frank: Too Convoluted to Succeed](#)

Nicole Gelinias, Investor's Business Daily, 12/9/13

[Dimon Doubloons](#)

Matt Levine, Bloomberg View, 12/11/13

[Weil on Finance: Losing Uninsured Deposits](#)

Jonathan Weil, Bloomberg View, 12/11/13

[State Regulators Ask for More Support From Agencies Overseeing Community Banks](#)

Jeff Bater, Bloomberg BNA, 12/9/13

[Hedge-Fund Guy Cohen's Plausible Deniability](#)

Jonathan Weil, Bloomberg View, 12/9/13

[Lament of the Plutocrats](#)

Ben White and Maggie Haberman, Politico, 12/11/13