



## This Week in Wall Street Reform | June 24 — 30, 2017

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### **TRUMP ADMINISTRATION, CONGRESS, AND WALL STREET**

#### **[Trump White House Swings Machete Against Rules](#) | Who What Why**

The determination to weaken regulation is “far more aggressive than anything we’ve seen, more extreme than [what happened in] the [George W.] Bush and Reagan presidencies,” Robert Weissman, president of the public-interest nonprofit Public Citizen, told WhoWhatWhy.

One measure of the sharpness of these new tactics? “The completely irrational idea of cutting two rules for each new rule” that an agency proposes, Weissman said.

#### **[Ordering Agencies to Violate the Law](#) | Reg Review (Scott Slesinger and Robert Weissman)**

There is nothing “premature” about judicial review of an executive order that paralyzes federal agencies’ ability to implement duly-enacted statutes. And that is what Executive Order 13,771 does. The order prohibits agencies from issuing new significant regulations unless they repeal at least two other regulations to offset the new rule’s costs. Complying with that direction requires agencies to violate the law. For this reason, the executive order itself violates the constitutional separation of powers doctrine and the President’s duty to “take care that the laws be faithfully executed.”

#### **[US threatening to stop financial regulation cooperation](#) | CNBC**

The United States has signaled that it could discontinue multilateral cooperation on financial market regulation and tax havens ahead of a G-20 summit in Germany next week, weekly magazine Der Spiegel reported on Friday.

#### **[Half of Major Federal Agencies Only Have One Senate-Confirmed Appointee](#) | Washington Post**

#### **[White House Taps Key Senate Aid for Treasury Rescue Mission](#) | Politico Pro**

The White House intends to nominate Chris Campbell, staff director for the Senate Finance Committee GOP, to serve as assistant Treasury secretary for financial institutions, people close to the matter said.

The job is among the most critical at Treasury... Campbell is expected to have a broad portfolio beyond financial regulation such as helping with negotiations on tax reform — which he led for Senate Finance Chairman Orrin Hatch for the past several years — and raising the debt ceiling.

#### **[House Lawmakers Introduce Bill to Extend FSOC Insurance Member Tenure](#) | Politico Pro**

See the Center for Progressive Reform's [blog post](#) on the Revolving Door Between OIRA and Lobbyists

### [House advances funding bill with Dodd-Frank rollbacks](#) | PoliticoPro

A House subcommittee today approved a fiscal 2018 funding bill that includes several provisions of the deregulatory Financial CHOICE Act that the House passed earlier this month. The Financial Services and General Government Appropriations Subcommittee moved the bill in a voice vote.,,

The bill would strip authority and independence from the CFPB, repeal the bank proprietary trading ban known as the Volcker Rule and eliminate the Financial Stability Oversight Council's authority to place "systemically important" firms under supervision of the Federal Reserve.

### [House Republicans Will Seek to Kill Key Dodd-Frank Provisions in Reconciliation](#) | Politico Pro

Rep. Patrick McHenry (R-N.C.) told POLITICO that the committee would target the government's authority to wind down failing financial institutions and seek to bring the CFPB's funding under the control of Congress. Both moves are contained in the Financial CHOICE Act, the Dodd-Frank repeal bill sponsored by Financial Services Chairman Jeb Hensarling (R-Texas) that passed the House earlier this month.

See [AFR statement](#).

## CFPB AND CONSUMER FINANCE

### [House GOP Spending Bill Would Rein In the CFPB](#) | Washington Examiner (Joseph Lawler)

Wall Street critics immediately objected to the bill introduced Wednesday. "This funding bill is nothing more than a repackaged version of the giveaways to Wall Street and predatory lenders that the House majority approved last month," said Brian Marshall, policy counsel at **Americans for Financial Reform**, a group that backs stricter financial regulation. "It would gut the Consumer Financial Protection Bureau, enable reckless behavior by big banks, and hand a special favor to payday lenders."

### [The Downside of Scaling Back the CFPB Complaint Database](#) | American Banker

Banks and other lenders say they can be unfairly maligned by consumers whose grievances that have not been vetted for accuracy. Industry groups also chafe at how the Consumer Financial Protection Bureau cites numbers from the database without some of the relevant context.

But if the CFPB database gets pulled behind a veil, as both House Republicans and the Trump administration are proposing, the consumer finance industry will encounter a little-discussed downside: companies regulated by the CFPB have become users of the database, and they will no longer have access to the insights it provides.

### [Wells Fargo's Scandals Just Won't Die](#) | Yahoo Finance

It's almost a year after the bombshell announcement that Wells would pay \$185 million to settle charges that it opened unauthorized accounts for customers, among other things. Now, there's a new CFBP investigation and a wave of lawsuits over Wells's mortgage practices. Last week, Elizabeth Warren sent a letter to the Federal Reserve with an unprecedented demand that the Fed seek the removal of Wells Fargo's board of directors.

That's not all. Lurking in the background is a largely forgotten lawsuit involving Wells' overdraft practices. No wonder it's been forgotten: The case has been tied up in torturous litigation for almost a decade. But the ultimate resolution could make the \$185 million look like a small down payment for years of aggressive business practices.

#### [Wells Fargo Seeks Arbitration for Second Suit Filed by Mississippi Couple](#) | Clarion Ledger

Wells Fargo wants a judge to dismiss a Jackson couple's federal lawsuit alleging fraud against the bank and a home windows company and send the case to arbitration.

#### [Wells is Last Big Bank Standing in Overdraft Litigation](#) | American Banker

Bank of America, JPMorgan Chase and other big banks have long ago settled class actions accusing them of improper clearing of checks and debits to maximize overdraft fees, but Wells Fargo is refusing to follow suit.

A federal appeals court is scheduled to hear oral arguments in August in a decade-old case against the San Francisco bank. Although Wells was forced to pay \$203 million to California customers last year in a similar case after the Supreme Court declined the bank's appeal, it is hoping it can force this case into arbitration.

The stakes are high. If Wells loses its appeal to the 11th U.S. Circuit Court of Appeals, it could ultimately end up paying potentially as much as \$1 billion, according to some estimates. B of A paid \$410 million in 2011 and JPMorgan paid \$110 million in 2012 to settle nationwide litigation on similar overdraft claims.

#### [You Shouldn't Have to Give Up Your Right to Sue to Get A Job](#) | LA Times (editorial)

#### [Can Payday Lenders Force Arbitration After Having Borrowers Arrested](#) | Texas Lawyer

The Texas Supreme Court will decide this issue of whether a payday lender waived the civil litigation arbitration agreements it had with its customers by filing criminal charges against them and landing some of the borrowers in jail.

#### [Does That Dispute Resolution Clause Constitute Arbitration Under the FAA](#) | The Legal Intelligencer

See AFR's [Press Release](#) on the Need for Federal Oversight of Secret Arbitration

#### [It's Time to Protect Consumers Online](#) | US News (Rep. Marsha Blackburn)

#### [CFPB Takes Action Against Unscrupulous Credit Repair Firms](#) | InsideARM

Yesterday the Consumer Financial Protection Bureau (CFPB) issued a press release announcing they are taking enforcement action against four credit repair companies and three individuals for misleading consumers and charging illegal fees...

The CFPB alleges that the companies not only charged illegal advance fees for credit repair services, but also misrepresented their ability to repair consumers' credit scores.

[Sloppy Credit Bureaus, Sketchy Credit Doctors Slammed by CFPB, State AGs and Consumer Lawyers](#) | US PIRG (Ed Mierzwinski)

[CFPB hits credit repair execs for \\$2M over illegal fees](#) | American Banker

See CFPB [statement](#) on action against fraudulent credit repair companies.

## DERIVATIVES, COMMODITIES, AND THE CFTC

[CFTC Won't Prosecute Ex-Citigroup Traders Over 'Spoofing'](#) | Wall St. Journal

Three former Citigroup Inc. C -0.17% traders struck nonprosecution agreements with the Commodity Futures Trading Commission thanks to their cooperation in a larger investigation of "spoofing" in U.S. Treasury markets, the CFTC said Thursday.

[Senate Panel Advances Giancarlo's Nomination to Chair CFTC](#) | Politico Pro

The Senate Agriculture Committee today advanced the nomination of Christopher Giancarlo to be chairman of the CFTC. In a 16-5 vote, the senators sent Giancarlo's nomination to the full Senate. Sens. Patrick Leahy, Sherrod Brown, Kirsten Gillibrand, Joe Donnelly and Chris Van Hollen voted against him. Giancarlo is currently the CFTC's acting chairman. President Donald Trump nominated him to head the derivatives regulator in May.

See [AFR letter](#) opposing nomination.

[Republicans May 'Harmonize' Tax Treatment of Financial Derivatives](#) | Politico Pro

Taxation of derivative financial services products will be addressed in an overhaul of the tax code, Rep. Tom Reed (R-N.Y.), a member of the House Ways and Means Committee, told POLITICO today. Financial derivatives include credit default swaps, which played a role in firms over-leveraging during the financial crisis. They also include forward and future contracts, which let traders agree on terms for the future sales of commodities or financial securities, often if certain conditions like price and timing are met.

"There's a much-needed effort to harmonize what has been a very complicated, hodgepodge-type of regulatory and [Internal Revenue Service] ruling-type of treatment of it," said Reed. "So what we're trying to do is harmonize it, bring it up, take those standards and put them in statutory text to a large degree." Reed added: "Whenever you have those conversations it's about getting it right and that could have a revenue impact, but we're hoping to do no harm and make it competitive."

[House Appropriators Propose \\$248M CFTC Budget](#) | Politico Pro

## EXECUTIVE COMPENSATION

[Before Amazon Deal, Whole Foods Also Stood for Moderate Executive Pay](#) | Seattle Times

Among other things, Amazon's deal to buy Whole Foods will mark the end of one of the most reasonable executive compensation schemes in America. No executive at the company is allowed to be paid more than 19 times the average worker's salary.

## FEDERAL RESERVE

### [For the first time, all U.S. banks pass Fed's stress tests](#) | CNN

For the first time in seven years, all 34 of the nation's biggest banks were granted permission to buy back stock or pay dividends to shareholders, according to the annual stress test results released Wednesday by the Federal Reserve.

The verdict is part of the Fed's yearly financial health checkup on banks like JPMorgan Chase (JPM), Bank of America (BAC) and Wells Fargo (WFC) to determine if they are strong enough to weather a severe financial crisis while still being able to continue to lend to consumers and businesses.

### [Citi doubles dividend, bank shares jump after industry passes Fed stress tests](#) | CNBC

Several big banks announced significant increases in their plans to return capital to shareholders after passing the Federal Reserve's annual stress test. Financial shares jumped in extended trading.

Citigroup was the highlight after hours, doubling its quarterly dividend to 32 cents per common share and announcing a common stock repurchase program of up to \$15.6 billion. That would be the biggest ever buyback for Citi, surpassing a \$15 billion buyback announced in 2005 before the financial crisis, according to Richard Peterson of S&P Global Market Intelligence.

### [America's Banks Pass the Federal Reserve's Tests](#) | The Economist

#### [Stress Tests: Less Stressful Than Ever](#) | Medium.com (Marcus Stanley, AFR)

The chart below shows that this year the Federal Reserve permitted banks to pay out 190 basis points (1.9 percentage points) of their risk-based capital to shareholders, an unprecedented level compared to previous years.

At the same time... the stress tests appear to have been less stressful than ever this year, with the total estimated impact of a severe economic downturn reducing bank risk-based capital levels by just 330 basis points (3.3 percentage points). That's a level significantly lower than previous years and far lower than estimates of the capital losses suffered by banks during the financial crisis.

### [Fed Has Gone Easy Since I Left, Says Former Stress Tester](#) | CNBC

"Selfishly, I would say that the Fed's gone easy since I left, but of course times are better for the banks as well as for the American economy," Carl Tannenbaum, chief economist at Northern Trust, told CNBC on Thursday.

For the first time in seven years, the Federal Reserve did not object to any of the capital plans of the 34 banks it reviewed in the second part of the annual stress tests implemented in the wake of the financial crisis. "I'm pleased that the (stress test) process has motivated all of the largest banks to achieve healthy capital levels and most to substantially improve their capital planning processes," Fed Governor Jerome H. Powell said in a statement on Wednesday.

## INVESTOR PROTECTION AND THE SEC

### [SEC broadens confidential IPO filing to all companies](#) | PoliticoPro

All companies considering publicly issuing shares will be allowed to confidentially submit registration statements to the Securities and Exchange Commission, the agency said on Thursday. The unexpected move will expand a popular provision of the 2012 JOBS Act to all companies, not just so-called emerging growth companies. The EGC designation gives businesses with less than \$1 billion in gross annual revenue certain exemptions from SEC reporting requirements.

### [SEC Says All Companies Can Now File Secretly for IPOs](#) | Wall St. Journal

Wall Street's top regulator is moving to grease the way for more initial public offerings by expanding a tool that has allowed many startups to more stealthily plan their stock sales. The Securities and Exchange Commission, whose new chairman, Jay Clayton, has said he wants to boost the number of IPOs, announced late Thursday that it would allow all companies to file paperwork confidentially as a first step toward going public. Until now, that privilege has only been available to firms with less than \$1 billion in annual revenue.

Under the new policy, effective July 10, companies will be able to file information about their finances and business trends with the SEC, but the document could be withheld from investors until 15 days before the so-called roadshow where firms meet with prospective investors. The move will allow a firm and its founders to keep the information under wraps until they have resolved to sell shares publicly.

### [More Investors Prefer Risk Protection Over Portfolio Growth](#) | Planadviser

U.S. investors are heavily interested in risk reduction and protection rather than aggressive portfolio growth, according to the latest research from Cerulli Associates. The newest report, "U.S. Retail Investor Products and Platforms 2017: Retooling for the Modern Investor," finds 77% of respondents would prefer the safer route of protecting portfolios from major losses, even if that meant periods of underperforming in the market'.

### [Columbia Professor Leads Field for SEC Job](#) | US News

Columbia University law professor Robert Jackson is a leading contender for one of the two commissioner vacancies on the U.S. Securities and Exchange Commission, according to people familiar with the matter. If ultimately nominated by U.S. President Donald Trump and confirmed by the Senate, Jackson would fill a vacant spot reserved for a Democrat on the five-member panel.

Jackson is known for his advocacy work in trying to advance new rules at the SEC that would force public companies to disclose their political spending to investors. He also fought the SEC several years ago, after the agency denied him access to public data filed by investment advisers through a Freedom of Information Act request.

## MORTGAGES AND HOUSING

### [Fannie and Freddie reform, long elusive, is now met with consensus](#) | PoliticoPro

Lawmakers and witnesses presented a united front in support of ending the government conservatorship of the mortgage giants. They also found common ground on basic issues such as taxpayer protection, a level playing field for smaller lenders and preservation of the 30-year, fixed-rate, prepayable mortgage, an American innovation made possible by Fannie and Freddie.

The room found unity even on the subject of affordable housing, which helped torpedo mortgage reform legislation from Corker and Sen. Mark Warner (D-Va.) in 2014. "I can't be for reform if it does not address the affordable housing crisis in this country," said Sen. Elizabeth Warren (D-Mass.). She asked the hearing's three witnesses whether they agreed. Yes, yes and "absolutely" came the answers. Still, mortgage reform remains a heavy legislative lift.

### [Subprime Mortgages Make a Slow Comeback](#) | **Builder Magazine**

Financial regulation made it difficult for lenders to give subprime mortgages - mortgages typically given to borrowers with a credit score of about 660 or lower - following the financial crisis in 2008. In an article for our sister site The Concrete Producer, Pierre Villere explains how small and midsize independent lenders are once again soliciting brokers to arrange mortgages for people with lower credit scores.

Villere explains that non-bank lender accounted for about half of the mortgages originated in the U.S. during Q1 2017. While subprime mortgages had "tough sledding," during that time, they are slowly making a comeback.

### [Mortgage Applications Drop 6% as Wealthy Buyers 'Step Back'](#) | **CNBC**

Mortgage rates have been sitting at a six-month low for the past month, barely moving, but mortgage demand is still shrinking. Total application volume fell 6.2 percent last week, compared to the previous week. The Mortgage Bankers Association's seasonally adjusted application index is now down 17 percent compared to the same week one year ago.

### [New York Community Joins Bank Exodus from Home Mortgages](#) | **National Mortgage News**

### [The 20% Mortgage Down Payment Is Dead](#) | **Atlanta Journal Constitution**

For first-time home buyers, the challenge of coming up with a 20% mortgage down payment is often difficult enough to keep them out of the market. But the fact is, the 20% down payment is all but dead — and has been for quite some time, especially for first-time buyers.

"It's been my experience that about half of my clients know that there are loans and/or programs that require less than 20% down," says Kris Lindahl, a real estate agent in Blaine, Minnesota. "The other half still think that they must have at least 20% down in order to qualify for a home mortgage."

But most people don't put 20% down on a home, even though it's the benchmark most often quoted by lenders and mortgage experts. More than 70% of non-cash, first-time home buyers — and 54% of all buyers — made down payments of less than 20% over at least the past five years, according to the National Association of Realtors.

### [Coalition Says Fannie and Freddie Should Be Allowed to Keep Profits](#) | **Politico Pro**

In a [one-page paper](#), the Main Street GSE Reform Coalition outlined basic principles for reform of the companies, known as government-sponsored entities.., "Critical investments in affordable housing are being swept into the general fund of the U.S. Treasury to pay for a multitude of non-housing related purposes," the groups wrote. The "enterprises are at risk of having to guarantee much of the nation's mortgage credit risk with a zero capital buffer starting in January 2018."

The coalition called for fair pricing of mortgage fees that wouldn't give an edge to large lenders, and more access to home loans for credit-worthy borrowers. The Main Street group consists of the Community Home Lenders Association, Community Mortgage Lenders of America, the Leadership Conference on Civil and Human Rights, the NAACP, the National Community Reinvestment Coalition and Leading Builders of America, which includes some of the country's largest homebuilders, including Pulte and KB Home.

[Small Lenders, Consumer Groups Offer GSE Reform Alternative](#) | American Banker

[FHFA Proposes Changes to Housing Goals](#) | Politico Pro

[Kittle expected to take top job at Ginnie Mae](#) | Politico Pro

## PRIVATE EQUITY

[Private Equity Should Ease Up on the Stimulants](#) | Bloomberg

Private equity firms, arguably the masters of financial engineering, put billions to work on behalf of their investors while of course clipping some of the profit for their efforts. By all accounts, transparency about how they go about doing this has improved in recent years, but it still could be better.

On Tuesday, a group representing pension plans, endowments and other investors in the industry raised concerns about private equity's use of so-called subscription credit lines and their effect on how and when firms can pay themselves. To recap, these lines are a type of borrowing that firms have been increasingly turning to that conveniently boost a key performance measure known as an internal rate of return.

## REGULATION IN GENERAL

[Hating Government Doesn't Solve Problems](#) | Washington Post (E.J. Dionne Jr.)

In its current iteration, the Republican Party truly seems to believe that the solution to every problem involves throwing more money at rich people. This explains the health-care fiasco in the Senate, and it's why President Trump and Congress have yet to address a single major problem the country faces. Everything is secondary to the GOP's two opening legislative priorities: gutting Obamacare and passing a tax cut.

The president has talked a lot about infrastructure, but he has offered no plan and Congress shows few signs of coming up with one anytime soon. Trump loves to say he wants to help those battered by economic change. But his actions in this sphere have been entirely symbolic. There are no comprehensive proposals for, say, using training, community colleges and the apprenticeships he was touting recently to open up new opportunities.

[What Do We Have a Government For?](#) | NY Times (interview with Bret Stephens)

## RETIREMENT INVESTMENT AND DOL FIDUCIARY RULE

[DOL issues request for comment on fiduciary rule review](#) | Investment News

The Labor Department on Thursday evening released a request for comment on the agency's fiduciary rule, seeking input on whether to delay the Jan. 1 full implementation date and soliciting suggestions for streamlining major provisions.

The deadline for responses about extending the Jan. 1 applicability date is 15 days from the request's publication in the Federal Register, while the deadline for all other comments is 30 days after the publication date... The DOL is soliciting comments to guide its review of the regulation that was mandated by President Donald J. Trump earlier this year and could result in changes to the regulation.

[Financial Services Rules Put Clients First](#) | **The Columbian (Michelle Singletary)**

Despite a lot of pushback from some financial-services companies, a new rule should cut down on conflicts of interest in the advice given to investors about their retirement accounts.

But based on what I'm hearing from readers, people have a lot to learn about the Labor Department's fiduciary rule, which requires financial professionals to put their clients' interest first. To help sort through some of the confusion that often comes when new rules go into effect, Barbara Roper, director of investor protection for the Consumer Federation of America, has been helping me respond to reader queries.

Financial services companies say they oppose the rule because they are looking out for small investors who, according to the firms, won't be able to get adequate investment advice under the new rule. Since when does this industry care about the little guy?

[Fintech sales take off after DOL fiduciary rule's partial implementation](#) | Pensions & Investments

[Labor's Acosta and SEC's Clayton will work together on fiduciary](#) | InvestmentNews

[Here's Where the Fiduciary Rule Hurts Most](#) | Barrons

[Chamber of Commerce: We need more time on RFI](#) | PoliticoPro

David Hirschmann, president and CEO of the Chamber's Center for Capital Markets Competitiveness, and Randy Johnson, senior vice president for labor, immigration, and employee benefits, requested that the DOL extend the comment period to 60 days.

"The current rule has now been in effect for only 20 days, and its full consequences — intended and unintended — are not immediately apparent," they wrote. "The requested comment period extension will allow the concerned public necessary time to observe the impacts of the rule more fully."

## STUDENT LOANS AND FOR-PROFIT SCHOOLS

### [Judge blocks part of ‘gainful employment’ rule for some for-profit schools](#) | Politico

A federal judge has blocked the Education Department from enforcing provisions of the “gainful employment” rule relating to how for-profit cosmetology schools appeal their graduates’ earnings data. U.S. District Judge Rudolph Contreras on Wednesday ordered the department to give for-profit cosmetology programs more flexibility to appeal the earnings data of their graduates, ruling that the Obama-era rule arbitrarily and capriciously restricted the appeals process for those schools.

### [Few Solutions for Defrauded Borrowers](#) | Inside Higher Ed

As the U.S. Department of Education readies for an arduous bureaucratic process to overhaul the rule allowing defrauded students to discharge their debt, advocates are wondering when thousands of borrowers who are seeking relief will get a resolution.

Betsy DeVos, the education secretary, earlier this month said she would delay implementation of the rule, known as borrower defense, and begin rewriting it and gainful-employment regulations for nondegree vocational programs. But she promised that the department would deliver on promises of loan relief it previously made to other students and would continue processing the 16,000 borrower-defense applications still awaiting a decision.

### [Promised College Loan Forgiveness, Borrowers Wait and Wait](#) | AP News

### [Congressmen Challenge Pittsburgh-based for-profit College Chain’s Sale](#) | Trib Live

Pittsburgh-based Education Management Corp.’s proposal to sell its for-profit college chain to a California nonprofit has spurred harsh criticism from federal lawmakers who fear the deal poses “significant risks for students and taxpayers.”

U.S. Sen. Elizabeth Warren, D-Mass., joined four members of Congress in sending a joint letter Thursday to several regional higher education accrediting agencies. The accreditors’ approval is required for EDMC to finalize the \$60 million deal this summer. The letter — also signed by Sen. Kamala Harris, D-Calif., Sen. Dick Durbin, D-Ill., Sen. Sherrod Brown, D-Ohio and U.S. Rep. Rosa DeLauro, D-Conn. — urged accreditors to scrutinize the proposed “transaction of unprecedented size and scope” and determine whether it’s in the best interest of students.

### [As Regulators Meet in Secret, Questions Loom over Proposed EDMC Sale](#) | Pittsburgh Post-Gazette

### [Who’s Lobbying for For-Profit Colleges in the Trump-DeVos Era?](#) | Huffington Post

Now that former Trump University pitchman Donald Trump is the president of the United States, his Secretary of Education, Betsy DeVos, appears ready to gut the efforts made by the Obama Administration to hold for-profit colleges accountable for engaging in the same kind of deceptive, predatory behavior exhibited by Trump’s real estate “school.” A for-profit college industry that was in despair, after its hyper-aggressive lobbying strategy ultimately failed in the Obama era, has been miraculously rescued by the election of a president who promised to stand up for the forgotten man

and woman but instead, on issue after issue, is standing with wealthy barons who prey on struggling Americans.

And now, the disgraceful for-profit college industry is gearing up to spend more money — to spend your tax dollars, since many industry players get 80 to 90 percent of their revenue from federal aid — not on teaching, but on lobbying to make sure it gets everything it wants from the Trump years. Of course, high-priced Washington lobbyists,

## SYSTEMIC RISK

### [No Stress](#) | Politico

The good days keep rolling in for big banks in Washington. This time it was the Fed giving passing grades and approving capital plans for all of the nation's biggest banks. And the stress tests could get easier next year.

**Americans for Financial Reform's** Marcus Stanley: “[W]e have to view results with some skepticism. Stress tests lean heavily on regulatory models, and models have failed to predict financial crises before.”

See Senate Democrats' [Press Release](#).

### [A Proposed Bankruptcy for Banks That Will Lead to Bailouts](#) | NY Times (Stephen J. Lubben)

One core piece of the congressional drive to dismantle Dodd-Frank is the move to repeal orderly liquidation authority and with it the special powers of the Federal Deposit Insurance Corporation to deal with big bank insolvency. Instead, Congress would leave the failure of big financial institutions to the general bankruptcy system.

If one desires to return to the Gilded Age, with a financial crisis at least once every decade, this is a splendid plan. Is it really plausible that any of the top half-dozen or so American financial institutions could resolve their financial distress in bankruptcy court? It could happen, just as I may travel to Mars some day.

## TAX POLICY

### [Transactions tax would attack income inequality by attacking finance industry](#) | Jacobin (Dean Baker)

In the last couple years, the financial transactions tax (FTT) has moved from a fringe idea to a policy proposal treated seriously by even the mainstream of the Democratic Party. The decision by Senator Bernie Sanders to make it a central part of his presidential campaign certainly helped, but a number of members of Congress, including Keith Ellison and Peter DeFazio, have also pushed FTT proposals for many years.

An FTT is usually seen as a way to raise large amounts of revenue (in the US, it could possibly generate as much as \$190 billion a year, or 1 percent of GDP). Or it is viewed as a means to limit speculative trading in the financial sector, potentially making markets less volatile.

The best argument for an FTT, however, is that it can sharply reduce some of the highest incomes in the economy by curtailing the trading that makes those incomes possible. As a result, it can play a large role in reversing the upward redistribution of income that we've seen over the last four decades.

## **OTHER TOPICS**

### **[Supreme Court Agrees to Hear Dodd-Frank Whistleblower Case](#) | Politico Pro**

At issue is whether a whistleblower can get anti-retaliation protections from Dodd-Frank even if he or she does not report alleged misconduct to the Securities and Exchange Commission.

In March, the 9th Circuit Court of Appeals said an employee who blows the whistle to others inside a company is entitled to Dodd-Frank protections. In this case, Paul Somers, a vice president at Digital Realty Trust Inc., reported potential securities law violations to senior management at the company. But Digital Realty fired Somers and says he does not deserve Dodd-Frank protections.

### **[U.S. High Court to Review Scope of Dodd-Frank Whistleblower Protections](#) | Complinet**

#### **[Why Big Business Keeps Winning at the Supreme Court](#) | Washington Post (Adam Winkler)**

When the [U.S. Chamber of Commerce] wins, it is often common people who lose. The court this term sided with the organization and held that debt-collection companies do not engage in a false, deceptive or unfair practice by filing stale, unenforceable claims against a person in bankruptcy — even though the whole point of those claims is to fool people into paying money they are not legally obligated to pay.

In other cases this term, the court limited the ability of states to protect residents of a nursing home from being forced into arbitration; erected new hurdles for people seeking to bring class actions; and restricted the ability of the Securities and Exchange Commission to force people convicted of securities fraud to pay back their ill-gotten gains. In each of these cases, the court ruled in favor of the side supported by the chamber.

The chamber's success rate is nothing new: In the past six terms, the court has ruled with the chamber 74 percent of the time the group has gotten involved in cases that come before it. That's a record of 65 wins out of 87 cases, with one still to be decided.