

## This Week in Wall Street Reform | Mar 3 – 9

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### THE TRUMP ADMINISTRATION, CONGRESS AND WALL STREET

#### [Why Are Democrats Helping Trump Dismantle Dodd-Frank?](#) | NY Times (Mike Konczal)

This bill goes far beyond the health of community banks and credit unions. It removes protections for 25 of the top 38 banks; weakens regulations on the biggest players and encourages them to manipulate regulations for their benefit; and saps consumer protections.

What do Democrats get in return? Nothing substantive that they should want. They could demand better funding for regulators or an appointment to the Consumer Financial Protection Bureau — or a vote on gun control. The Crapo proposal would relax important regulations for major banks. Though often described as medium in size, these banks are still very large. Dodd-Frank introduces regulations for banks with assets of more than \$50 billion, regulations that increase in strictness as the banks get larger and riskier. This ensures that they have enough cash to survive a crisis, quality equity to manage problems and a living-will plan for how they can fail without bringing down the economy. This regulation affects the 38 largest banks.

#### [Mitch McConnell's big gift to the banks](#) | CNN (Jennifer Taub)

This month marks the tenth anniversary of the \$29 billion US government-backed bailout of Bear Stearns. The collapse of this giant investment bank in March 2008, under the weight of its bad mortgage-linked bets, marked the beginning of the global financial crisis. To commemorate it, the US Senate plans to deliver a big gift to the banking sector by removing several safeguards for American families put in place after the meltdown. Tin is the traditional tenth wedding anniversary gift. A bank deregulatory bill on the crisis anniversary is a fitting present from someone with a tin ear.

#### [Dems Team Up with GOP to Weaken Bank Rules](#) (Democracy Now!)

**Alexis Goldstein of Americans for Financial Reform** discusses the dangers of a bill that would encourage discrimination in lending, roll back rules on large U.S. and giant foreign banks, and make further bailouts more likely.

#### [Big Banks Get a Big Win in Senate Rollback Bill](#) | Wall St. Journal

Bipartisan legislation expected to clear the Senate as early as this week has just one provision that is set to directly benefit the nation's megabanks: a section aimed at making it easier for

them to buy state and local bonds.

The provision, championed by Citigroup Inc. and other large banks, would ease a new rule aimed at ensuring banks can raise enough cash during a financial-market meltdown to fund their operations for 30 days, requiring them to hold more cash or securities that are easily salable.

### [Latest assault on Dodd-Frank has bank lobbyists beaming](#) | **The Hill (Katy Milani)**

As the economy finally begins to show signs of recovery, now is not the time to support ineffective economic policies culled from the banking lobby's wishlist. The proposal will leave our economy vulnerable and undermine the important strides regulators and policymakers made to build a productive — not extractive and predatory — engine of economic growth. The people's elected representatives should refuse to cooperate with this Wall Street giveaway and encourage their colleagues to put Americans before banks.

### [The U.S. Wants to Loosen Banking Rules](#) | **Handelsblatt**

The conservative senators have secured the support of several moderate Democrats whose votes are needed to break the blocking minority of deregulation opponents.

Consumer advocates raise alarm: The amendment "would severely weaken the oversight of the US subsidiaries of many large, global banks," said Marcus Stanley, policy director of **Americans for Financial Reform**, which campaigns for vigilance in financial supervision.

### [Bank deregulation bill designed for smaller lenders may boost Citi, J.P. Morgan, CBO says](#) | **MarketWatch**

### [Donnelly joins Republicans in move to roll back bank regulations](#) | **Indianapolis Star**

Donnelly is one of four Democrats on the Senate banking committee who worked with Republicans on the legislation that doesn't go as far as a House-passed bill, but also doesn't include consumer protections sought by other Democrats. It does include a provision Donnelly authored to help the manufactured housing industry, which has a large presence in northern Indiana.

Donnelly, one of the most vulnerable Democrats facing re-election this year, has been applauded for his efforts by bankers.

### [Meet the Democratic 'Dirty Dozen' Working to Gut Financial Reforms](#) | **Alternet (Marshall Auerback)**

As if to maximize the possibility of another major financial crisis, the Trump administration and the GOP have recently been busy undercutting the limited safeguards established a decade ago via Dodd-Frank. The latest example of this stealth attack on Wall Street reform is the Economic Growth, Regulatory Relief, and Consumer Protection Act, appropriately sponsored by Republican Senator Mike Crapo of Idaho, chairman of the Senate Banking Committee.

In fact, (per **Americans for Financial Reform**), the increase "removes the most severe

mandate for 25 of the 38 largest banks,” which together “account for over \$3.5 trillion in banking assets, more than one-sixth of the U.S. total.”

### [Colorado Democrat Michael Bennet under fire from liberal activists for support of bank deregulation bill](#) | **Denver Post**

While the proposal before the Senate is broadly backed by bankers and investors, it's less popular among liberal Colorado activists who have spent much of the past year targeting Republican U.S. Sen. Cory Gardner, Bennet's Colorado counterpart, on other issues.

On Monday, the group Indivisible Front Range Resistance asked its members in a Twitter post to swamp Bennet's office with calls to protest his support.

“Fill up the phone lines to @SenBennetCO: whom do you stand with — big banks or families and workers?” wrote the group's leaders.

### [Wall Street Deregulation Is All About the Money](#) | **Coalition for Sensible Safeguards (Robert Weissman)**

If the story about trying to appeal to Republican and moderate voters doesn't hold up, how to account for the Democrats' readiness to roll back popular rules to control Wall Street wrongdoing? The answer lies in Wall Street's ongoing political power, not its public support, and specifically Wall Street's sizeable political contributions. The financial sector is the most lucrative source of campaign contributions for nine of the 13 Democratic senators co-sponsoring the deregulatory bill (technically 12 Democrats and one Independent).

For the four co-sponsors of the bill on the Senate Banking Committee, Wall Street is the number one source for contributions. These senators are Joe Donnelly (D-Indiana), Heidi Heitkamp (D-North Dakota), Jon Tester (D-Montana) and Mark Warner (D-Virginia). They negotiated the package with Senate Banking Committee Chair Mike Crapo (R-Idaho) and a handful of other Republicans. Heitkamp, Donnelly and Tester are also Numbers 1, 2 and 3 in the list of top 20 senatorial recipients of contributions from commercial banks. Large commercial banks are the prime beneficiary of this bill. No. 4 is Sen. Dean Heller, (R-Nevada), a vulnerable Republican facing reelection in a state Hillary Clinton won. Heller voted for the bill in committee.

### [Heitkamp, Backing Deregulation Bill, Owns Stock in Firms that Stand to Profit](#) | **Young Turks**

One of the bill's chief architects, Sen. Heidi Heitkamp (D-N.D.), and her husband have nearly \$1 million invested in two of the bill's biggest winners, J.P. Morgan Chase and Berkshire Hathaway, according to a 2016 financial disclosure document reviewed by TYT Investigates. Heitkamp and her spouse collectively own between \$100,001 and \$250,000 of corporate securities stock in J.P. Morgan, as well as an additional up to \$45,000 in a J.P. Morgan fund. Heitkamp alone owns between \$215,000 and \$550,000 worth of Berkshire Hathaway stock, and including joint investments, she and her husband have up to \$600,000 invested in the company.

Together, the Heitkamps could have up to \$895,000 invested in the two firms. For the senator, whose net worth was roughly \$4.5 million in 2015, according to an estimate by the Center for Responsive Politics, these J.P. Morgan and Berkshire Hathaway investments potentially

account for a substantial portion of her assets.

[Heitkamp/Crapo Wall Street Deregulation Bill Bad News for Consumers](#) | North Dakota Economic Security and Prosperity Alliance Blog (Scott Fry)

[Victory in sight for Democrats defying Warren on bank bill](#) | Politico

Republicans and Democrats in the Senate are poised to pass a bill, this week that would relax key banking regulations, steamrolling opposition from outspoken liberals like Sen. Elizabeth Warren who have built their careers calling for tougher oversight of Wall Street.

A core group of moderate Democrats is brushing off an escalating opposition campaign by the Massachusetts senator and other progressives like Sen. Sherrod Brown of Ohio, instead joining with GOP colleagues to reverse restrictions on large and small banks that were enacted in the wake of the 2008 financial meltdown.

[Bipartisanship in banking is back](#) | Brookings

[As Senate nears big vote, Dodd-Frank shows its staying power](#) | American Banker

The bill, which appears headed to a vote within days and is the culmination of negotiations between Senate Banking Committee Chairman Mike Crapo, R-Idaho, and moderate Democrats, would raise the asset threshold for “systemically important” financial institutions to \$250 billion from \$50 billion, and make other adjustments to stress test and mortgage data collection requirements, among others.

Some critics of the Crapo bill said its passage would embolden large banks to attempt to press lawmakers for additional relief. “There is a tremendous amount of money in these regulations for financial services and if S. 2155 passes easily, I think Wall Street will try and go back to the well,” said Marcus Stanley, policy director at **Americans for Financial Reform**.

[Senate advances bank deregulation bill as Democrats break ranks](#) | Politico

[How this Senate banking bill could open the front door to housing discrimination](#) | PBS (Catherine Cortez Masto, Vanita Gupta)

As we finish celebrating Black History Month, and the 50th anniversary of the Fair Housing Act, the Senate is set to consider legislation that would undermine our nation’s commitment to ensuring equal protection under the law. At a time when harmful rhetoric and policies from the Trump Administration are sowing divisions that attempt to marginalize racial, ethnic and other minorities, Congress should not weaken civil rights law or consumer protections by exempting more than four in five banks and credit unions from a requirement to disclose information about mortgage loans. If it does, anyone who may want to buy — or sell — a home will be impacted by reducing transparency for mortgage loans made by banks and credit unions which make fewer than 500 loans a year.

[A Provision Hidden in the Banking Bill Could Hurt Black Homeowners](#) | **The Atlantic**  
**(Annie Lowrey)**

The legislation... includes a number of technical changes that stand to put borrowers of color, mobile-home owners, and rural residents at risk. Chief among these is a change letting banks that make fewer than 500 mortgage loans a year report less data to the government on who they lend to and at what rates—data meant to help show whether financial institutions are discriminating against families of color. According to data from the Consumer Financial Protection Bureau, the legislation might exempt four out of every five banks and credit unions.

[Congress threatens affordability of manufactured homes](#) | **Fort Myers News-Press**  
**(Margie Mathers)**

As hard as it is to fathom some days that I'm still working, I do really enjoy my job. That's because I show homes to families, like mine, who look to manufactured home living as a potential affordable housing option.

Unfortunately, trends in the industry and a current bill being debated in the United States Senate continue to erode manufactured home living as a viable housing option for seniors on fixed incomes, veterans, low-income families and people living with disabilities.

[After massive breach, Equifax notches big wins in banking bill](#) | **Politico Pro (Zachary Warmbrodt)**

Provisions inserted at the last minute to benefit the companies are emerging as new flashpoints of conflict around the legislation, which would scale back regulations imposed since the 2008 financial crisis...

[L]obbyists for the companies quietly prevailed in a months-long fight to secure language that would shield the firms from consumer lawsuits stemming from the free credit monitoring requirement. They made their case with the backing of conservative activists and one of the most senior Republican senators, Sen. Richard Shelby (R-Ala.).

[What You Haven't Heard About That Bad Banking Bill: It Preempts State Identity Theft Reforms](#) | **US PIRG (Mike Litt)**

See AFR [statement](#) and letters on S 2155 as [first negotiated](#) and [with manager's amendment](#). See [compilation of background materials](#) (letters, statements, fact sheets, op eds, etc.) on this legislation.

## **CONSUMER FINANCE AND THE CFPB**

[Warren's consumer dream dismantled](#) | **Boston Globe**

Eight years ago, Elizabeth Warren fought tooth and nail for a strong federal consumer protection agency that would be free from political influence, with a budget outside Congress's grasp and a single, independent director appointed to a lengthy five-year term. "My second choice is no

agency at all and plenty of blood and teeth left on the floor," she said then.

Warren won that battle, but the nightmare scenario she warned against has come true anyway.

Trump budget czar Mick Mulvaney, temporarily named to run the agency, is systematically defanging the Consumer Financial Protection Bureau she dreamed up — and taunting her while he does it.

[Crapo, Hensarling lead court brief supporting Mulvaney as CFPB head](#) | American Banker  
Over 100 Republican lawmakers filed a legal brief Friday backing Mick Mulvaney in the lawsuit challenging his appointment as acting head of the Consumer Financial Protection Bureau.

The 38 senators and 75 House members — led by Senate Banking Committee Chairman Mike Crapo, R-Idaho, and House Financial Services Committee Chairman Jeb Hensarling, R-Texas — said President Trump had legal standing to appoint Mulvaney despite deputy CFPB Director Leandra English's claim that she was the rightful acting director.

A federal judge denied English's claim that she automatically became head of the agency after the departure of former CFPB Director Richard Cordray. The case is now being heard at the U.S. Court of Appeals for the D.C. Circuit.

[Mulvaney says the CFPB will depend heavily on state Attorneys General for enforcement of consumer protection laws](#) | Lexology

[SCOTX Holds Payday Lender Did Not Waive Right to Arbitration](#) | Mediate

The Supreme Court of Texas has ruled that a payday lender did not waive its right to compel arbitration against the company's defaulting customers. In *Henry, et al. v. Cash Biz, LP*, No. 16-0854 (Texas, February 23, 2018), a payday Lender, Cash Biz, provided short term loans to the plaintiffs and other customers. As a condition of obtaining a loan, each customer signed a loan document containing an arbitration provision. This provision required all disputes with Cash Biz to be settled via individual arbitration.

[Equifax leak worse than thought](#) | The Quad

House Representative Ted Lieu tweeted on March 1, "Today I introduced two bills to address data breaches by credit reporting agencies. On the same day, Equifax disclosed an additional 2.4 million account breaches." Lieu's bills are intended to "protect consumers by safeguarding their data and ensuring victims of data breaches can hold companies accountable in court." The first bill, entitled the "Protecting Consumer Information Act of 2018," will "expand the Federal Trade Commission's enforcement authority over credit reporting agencies." The other bill, entitled the "Ending Forced Arbitration for Victims of Data Breaches Act," will "prohibit entities from enacting arbitration clauses for suits related to a data breach, and empowers the FTC, State Attorneys General and citizens to have their day in court."

[Equifax says it's still under CFPB investigation](#) | Washington Examiner

## DERIVATIVES, COMMODITIES AND CFTC

[Regulators may start cracking down on 'Flash Boy' traders](#) | New York Post

Federal regulators could gain more power to crack down on highly-secretive “Flash Boy” traders that use complex — and secretive — algorithms to buy and sell securities, according to a little-noticed provision in an otherwise deregulatory banking bill that could go to a vote on Tuesday.

“The big banks want to use this to weaken the Volcker Rule,” **Marcus Stanley, policy director at Americans for Financial Reform**, told The Post — pointing out that bank profits have risen every year since the financial crisis.

[Regulators are looking at bitcoin more favorably, and that's a good thing](#) | The Hill (Sheri Kaiserman And Lana Reeve)

## ENFORCEMENT

[Treasury watchdog probed OCC employee's relationship with Wells Fargo](#) | Politico

The Treasury Department's inspector general last year investigated an employee of the Office of the Comptroller of the Currency to determine if he had been inappropriately feeding Wells Fargo information about a probe of the bank's sales practices.

The investigation did not ultimately find formal wrongdoing on that front by then-senior examiner Bradley Linskens. But the watchdog said that conclusion was "due primarily to a lack of clear guidelines in OCC policy delineating specifically what can and what cannot be discussed by an [examiner-in-charge] with a regulated financial institution," according to a redacted version of the final report.

## INVESTOR PROTECTION, THE SEC, AND RETIREMENT SAVINGS

[Voya to Pay \\$3.6 Million to Settle SEC Charges](#) | Wall St. Journal

The Securities and Exchange Commission said Thursday that two subsidiaries of Voya Financial Inc. VOYA +2.09% agreed to pay \$3.6 million to settle charges that they failed to disclose conflicts of interest and misled mutual-fund investors. The SEC said Voya Investments LLC and Directed Services LLC acted as investment advisers to certain mutual funds, offered to customers through insurance companies affiliated with the advisers. To generate additional income for the mutual funds and their investors, the Voya advisers lent securities held by those funds to third parties.

[SEC Commissioner Says Agency Should Protect Investors Against Rip-Off Clauses](#) | Coalition for Sensible Safeguards (Remington Gregg)

## MORTGAGES AND HOUSING

[How this Senate banking bill could open the front door to housing discrimination](#) | PBS (Catherine Cortez Masto, Vanita Gupta)

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## PRIVATE FUNDS

[National Security Agencies Have Spoken: Private Equity Ownership Imperils America](#) | American Prospect (Harold Meyerson)

By the normal standards of U.S. national security, the government's ruling on Tuesday to delay and potentially derail the acquisition of high-tech company Qualcomm by the Singaporean company Broadcom was startlingly smart and gobsmackingly wonderful.

It was smart because it extended its definition of U.S. security interests to maintaining our advantage in the development of the most advanced forms of technology, in this case, the 5G communications systems that will be critical to both driverless cars and network security in coming decades. The government's Committee on Foreign Investment in the United States (CFIUS for short) wrote that it feared that if Qualcomm, the nation's leading developer of 5G technology, were purchased by Broadcom, its research would suffer and a Chinese high-tech company, Huawei, would likely surge past it to become the global leader in security technology.

## REGULATION IN GENERAL

[Understanding and Addressing Controversies About Agency Guidance](#) | The Regulatory Review (Nicholas R. Parrillo and Lee Liberman Otis)

## STUDENT LOANS AND FOR-PROFIT COLLEGES

[California braces for battle with Trump administration over student loans](#) | Los Angeles Times

A confidential draft memo drawn up by the U.S. Department of Education lays out the case for why states, including California, should abandon their own laws for student-loan servicers and let the feds allow these for-profit companies to skate by with considerably less oversight. I got my hands on a copy of the memo. It doesn't mince words in telling California and other states to back off.

"State regulation of the servicing of Direct Loans impedes uniquely Federal interests," it declares.

The memo says the federal government has jurisdiction when it comes to "streamlining student lending and saving taxpayer dollars."

[Trump Administration Tells States to Stop Regulating Federal Student Loans](#) | Wall St. Journal (Michelle Hackman and Josh Mitchell)

President Donald Trump's administration moved Friday to stop states from regulating companies that collect U.S. student-loan payments, arguing that states were encroaching on the federal government's role.

The action drew a strong rebuke from consumer-advocate groups and states, including several led by Republicans.

At issue are loan servicers, companies that the U.S. Education Department pays about a billion dollars each year to deal directly with the nearly 43 million people who owe federal-student loans.

See [joint statement](#) by AFR and CFA.

[Conflicts of Interest Seen as For-Profit Schools Eye Nonprofit Status](#) | Bloomberg Government

Several for-profit universities attempting to convert to nonprofit status appear to have plans with potential conflicts of interest that could allow the heads of newly created nonprofit institutions to reap financial benefits, accrediting agencies and analysts say.

## SYSTEMIC RISK

### [EU banks emerge as flashpoint in U.S. deregulation debate](#) | Politico

The Senate's milestone bank deregulation bill is aimed at relaxing rules for smaller U.S. lenders, but critics are pounding a new target in a bid to stop the legislation: European banks.

Progressive Democrats are warning that the legislation - the first major, bipartisan effort to roll back rules enacted after the financial crisis - could lead to lax oversight for big foreign lenders operating in the U.S. such as Deutsche Bank and Santander.

The issue has become a flashpoint in the debate around the bill as the Senate prepares to begin voting on it Tuesday.

Sen. Sherrod Brown (D-Ohio) has elevated the foreign bank fears as the core of his case against the legislation, which he is trying to persuade fellow Democrats to oppose. A cadre of former policymakers and outside interest groups have joined his cause.

## TAXES

### [Treasury, IRS issue guidance on carried interest provision in tax law](#) | The Hill

The Treasury Department and IRS on Thursday issued a notice aimed at preventing investment-fund managers from avoiding new limits on the carried interest tax break. Carried interest is the profits interest that investment-fund managers receive, and it is generally taxed at capital gains rates rather than the higher ordinary income rates.

### [Treasury moves to close carried interest loophole in new law](#) | Politico

The Treasury Department said Thursday that it plans to issue regulations aimed at closing a loophole in the new tax law that could allow wealthy money managers to sidestep a crackdown on so-called carried interest. The rules will prevent people from ducking the new regime by setting up S corporations, the agency said. It did not say when the regulations would be released, but said they would be effective beginning Jan. 1 of this year.