

## **THIS WEEK IN WALL STREET REFORM**

### **November 23-29, 2013**

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### **POPE FRANCIS' EXHORTATION**

#### **[Pope Francis Says "No to a Financial System Which Rules Rather Than Serves"](#)**

**AFR Blog, 11/26/13**

Excerpts from the Apostolic Exhortation [Evangelii Gaudium](#) of November 26, 2013: "As long as the problems of the poor are not radically resolved by rejecting the absolute autonomy of markets and financial speculation and by attacking the structural causes of inequality, no solution will be found for the world's problems or, for that matter, to any problems..."

"A financial reform open to such ethical considerations would require a vigorous change of approach on the part of political leaders. I urge them to face this challenge with determination and an eye to the future, while not ignoring, of course, the specifics of each case. Money must serve, not rule! The Pope loves everyone, rich and poor alike, but he is obliged in the name of Christ to remind all that the rich must help, respect and promote the poor. I exhort you to generous solidarity and a return of economics and finance to an ethical approach which favours human beings."

#### **[Pope Francis Calls For Renewal Of Roman Catholic Church, Attacks 'Idolatry Of Money'](#)**

**Reuters, 11/26/13**

In what amounted to an "official platform for his papacy," Francis "went further than previous comments criticizing the global economic system, attacking the 'idolatry of money' and beseeching politicians to guarantee all citizens 'dignified work, education and healthcare.'

"As long as the problems of the poor are not radically resolved by rejecting the absolute autonomy of markets and financial speculation and by attacking the structural causes of inequality, no solution will be found for the world's problems or, for that matter, to any problems,' he wrote."

### **CFPB AND CONSUMER FINANCE**

#### **[House Committee Approves Six CFPB Reform Bills](#)**

**Barbara S. Mishkin, CFPB Monitor, 11/26/13**

"The House Financial Services Committee has [approved](#) a series of six bills that would make structural and other changes to the CFPB. Unfortunately, this will probably amount to no more

than a “feel good” exercise for House Republicans. Assuming the bills are passed by the House, they can be expected to meet with defeat in the Democratic-controlled Senate.”

(See [November 19 letter](#) from AFR and 30 member groups.)

### [Regulators Warn Banks On ‘Payday Loans’](#)

**Ben Goad, The Hil, 11/122/13**

### [FDIC and OCC Guidance Aims to End Predatory Small-Dollar Loans](#)

**NCLR Blog, 11/22/13**

### [CFPB Rejects \(Again\) Trade Group Efforts Seeking Retraction of White Paper on Payday and Deposit Advance Loans](#)

**Jeremy T. Rosenblum, CFPB Monitor, 11/25/13**

### [Banks are Missing out on Payday Loans](#)

**Sheila Bair, Fortune, 11/26/13**

### [The New Subprime Loan Magnet: Your Car](#)

**Nin-Hai Tseng, Writer, Fortune, 11/25/13**

### [Dealer Fees For Arranging Car Loans Are Drawing Scrutiny From U.S.](#)

**Rachel Abrams, New York Times, 11/22/13**

“When Pedro Lantigua, a 32-year-old truck driver from Oklahoma City, decided to trade in his vehicle last summer, he walked into his local dealership and drove off with a brand-new Chevrolet Silverado. Like millions of Americans, he agreed to a loan arranged by the dealer.

“Unlike most buyers, Mr. Lantigua actually knows how much he spent on that service, but only because the details came out when he sued the dealer for breach of contract related to his trade-in.”

(See [AFR blog post](#) in support of CFPB guidance.)

### [For-Profit Colleges Face Consumer Bureau Probe on Lending Roles](#)

**Carter Dougherty, Bloomberg, 11/22/13**

### [Banks May Charge To Take Deposits](#)

**Tom Braithwaite & Stephen Foley, Financial Times, 11/24/13**

## **DERIVATIVES, COMMODITIES AND THE CFTC**

### [A Trading Tactic Is Foiled, and Banks Cry Foul](#)

**Floyd Norris, New York Times, 11/21/13**

“The new American rules have started to take effect, and it turns out that some of the banks found a way around the guidance issued in July by the [Commodity Futures Trading Commission](#), which regulates most of the American swaps market. Somehow, a lot of swaps that were actually being traded in New York were not being reported as American trades...

“To [Gary Gensler](#), the commission’s chairman, it was obvious that the commission’s intent had been misunderstood or simply distorted. He had the commission’s staff issue an ‘advisory’ on Nov. 14, saying that if a swap trader was doing business in New York, he or she was actually in the United States...

“If Mr. Gensler really thought that was routine, he was quickly disabused of the idea. The banks, which had thought the commission understood and accepted their tactic, were outraged. They complained to politicians and found immediate support.”

(See [AFR statement](#) supporting CFTC’s position.)

### **[CFTC Needs Nominee to Battle Wall Street Lobbying, Democrats Say](#)**

**Silla Brush, Bloomberg, 11/26/13**

“President [Barack Obama](#) must name a Commodity Futures Trading Commission member with the experience needed to ward off Wall Street lobbying over the Volcker rule and speculation limits, nine Democratic senators said.

“The nominee needs demonstrated expertise in derivatives markets -- including futures, options and swaps -- to ensure the Dodd-Frank Act rules are completed “even in the face of extremely stiff industry lobbying,” Senators Dianne Feinstein of California, Carl Levin of [Michigan](#) and Elizabeth Warren of [Massachusetts](#) said in the letter signed by six other colleagues.”

(See [AFR statement on Massad nomination](#).)

### **[This Recent Bill Is Everything That's Wrong With Politics In One Very Expensive Nutshell](#)** **Mansur Gidfar, Upworthy**

### **[Gensler Gives Wall Street Two Months to Meet Overseas Policy](#)**

**Silla Brush & Robert Schmidt, Bloomberg, 11/27/13**

### **[Gensler Last Stand On Swaps Has Wall Street Calling Lawyers](#)**

**Silla Brush & Robert Schmidt, Bloomberg, 11/25/13**

### **[Wall Street Weighs Legal Fight Against CFTC](#)**

**Ben Goad, The Hill, 11/25/13**

### **[Analysis of Proposed Position-Limits Rules](#)**

**Debevoise & Plimpton, 11/22/13**

### **[Market Manipulation, Or Arbitrage, In Brave New World Of Dodd-Frank Swap Futures Clearing](#)**

**Helen Parry, Compliance Complete, 11/27/13**

## **ENFORCEMENT**

### **[\\$13 Billion, Yes, But What Took So Long?](#)**

**Gretchen Morgenson, NY Times, 11/24/13**

“Eager to see what the Justice investigation had found, I consulted the statement of facts that accompanied the settlement and that JPMorgan had to acknowledge. There, I reckoned, would

be some juicy, new evidence of the bank's mortgage misdeeds 'uncovered' by assiduous investigators armed with subpoena power and other government might.

"Perusing the [11-page document](#), I quickly saw that I'd reckoned wrong. Much of it was the same-old-same-old, a not-very-lively description of a corrupted Wall Street mortgage factory, based largely on some facts that have been in the public domain for years. In other words, although it took the Justice Department more than five years to pursue a major bank for its role in the mortgage mania, the investigation seems to have unearthed material that, by and large, could have been dug up with a spoon."

### **Another Banking Scandal**

**Editorial, NY Times, 11/21/13**

"In a widening inquiry, as many as 15 banks — among them, Barclays, Citigroup, Deutsche Bank, Goldman Sachs, JPMorgan Chase and UBS — are under scrutiny by international officials for alleged manipulation of the \$5.3-trillion-a-day foreign exchange market.

"The allegations involve collusion among the banks' traders to fix benchmark exchange rates in their favor, resulting in higher costs for pension funds, mutual funds, multinational corporations and other bank clients that routinely buy and sell currencies."

### **Bankers tied to JPMorgan's \$13 Billion Settlement Doing Just Fine**

**Stephen Gandel, Fortune, 11/27/13**

## **EXECUTIVE COMPENSATION**

### **Why The Swiss Scorn The Superrich**

**Peter Stamm, New York Times, 11/24/13**

"It was not quite another Occupy moment perhaps, but in a referendum held in March of this year, the Swiss electorate voted by a two-thirds majority to ban bonuses and golden handshakes and force companies to consult shareholders on executives' remuneration. It's not easy for ballot initiatives like this to succeed in Switzerland: Of the 110 that have made it to a vote in the last 32 years, only 20 have passed.

"It was only after World War II that Switzerland became an important player in the financial sector. Despite our reputation abroad, that is probably why banks don't really figure in our sense of who we are; we just let them get on with it. Their revenues contributed substantially to our welfare, but we were never in love with them.

## **FEDERAL RESERVE**

### **Treasury Nominee Raskin Can Spur Action**

**Darrell Delamaide, USA Today, 11/26/13**

"Treasury Secretary Jack Lew is about to get a formidable ally in reining in the banks as he pushes financial regulatory agencies to get stiffer rules in place.

"Sarah Bloom Raskin, the nominee for the powerful No. 2 spot in the Treasury Department, sailed through her confirmation hearing last week. She is likely to be one of the first nominees approved in the post-filibuster Senate, though it seems she would get the nod in any case."

## INVESTOR PROTECTION & SEC

### [GOP Plans Another Attack on Dodd-Frank Rules](#)

(Pete Kasperowicz, The Hill, 11/25/13)

“House Republicans will call up legislation after Thanksgiving that would relax regulations for private equity fund investment advisers, which the GOP says would make it easier for small businesses to attract private capital...

“The bill up next week is the Small Business Capital Access and Job Preservation Act, [H.R. 1105](#). It would change the Investment Advisers Act so that private equity fund investment advisers are exempted from the Securities and Exchange Commission's registration and reporting requirements, as long as these advisers meet a certain debt to invested capital ratio.”

### [New SEC Members Differ on Enforcement: Restraint vs. Crackdown](#)

Sarah N. Lynch, Reuters, 11/25/13

### [SEC Committee Votes In Favor of Fiduciary Standard For Brokers](#)

Suzanne Barlyn, Reuters, 11/25/13

### [Piowar Critiques SEC Enforcement](#)

Zachary Warmbrodt, Politico, 11/24/13

### [Advisers Wary of Becoming Private-Offering Gatekeepers](#)

Mark Schoeff Jr., Investment News, 11/22/13

## MORTGAGES AND FORECLOSURES

### [Another City Embraces Eminent Domain to Fend Off Foreclosures](#)

Katie Zezima, AOL Real Estate, 11/26/13

### [A New Wave of U.S. Mortgage Trouble Threatens](#)

Peter Rudegeair, Reuters, 11/26/13

### [Fannie Mae Home-Loan Limits to Remain Unchanged in Early 2014](#)

Clea Benson, Bloomberg, 11/26/13

### [More Fannie Mae Borrower Aid Expected After Watt Confirmation](#)

Clea Benson, Bloomberg, 11/23/13

### [Big Bank Critics and Housing Finance Reform](#)

Kevin Cirilli, PoliticoPro (paywalled), 11/25/13

## NOMINATIONS

### [The Filibuster Move Is Great News For Obama's Financial Reform Agenda](#)

Neil Irwin, Washington Post, 11/22/13

### [Senate's Filibuster Rule Change Should Help Obama Achieve Key Second-Term Priorities](#)

Zachary A. Goldfarb, Washington Post, 11/21/13

## SYSTEMIC RISK

### [Fed's Tarullo Says Volcker Rule Will Prevent More London Whales](#)

**Jeff Kearns and Jesse Hamilton, Bloomberg, 11/23/13**

“[Federal Reserve](#) Governor [Daniel Tarullo](#) said regulators are writing a final version of the Volcker rule to block any repeats of [JPMorgan Chase & Co.](#)'s \$6.2 billion in losses last year from derivative bets by a trader dubbed the [London Whale](#).

“One of the key mandates to the staff from all the five agencies working on the final rule has been to ensure that London Whale, in substantive and procedural terms, couldn't happen again,” Tarullo said yesterday in response to audience questions after a [speech](#) in Washington. He called the JPMorgan losses ‘a real-world case’ that allows them to backtest the Volcker rule, which bans proprietary trading at banks...

“Tarullo also said in his speech [at an event sponsored by] Americans for Financial Reform and Economic Policy Institute that large banks should be subject to higher [capital requirements](#) if they rely heavily on non-deposit funding.”

(See [agenda and presentation materials](#) from AFR's Shadow Banking conference on Nov. 22)

### [Tarullo Backs More Capital for Firms Relying on Repo Funds](#)

**Craig Torres and Jeff Kearns, MoneyNews.com, 11/22/13**

“Federal Reserve Governor Daniel Tarullo said large banks should be subject to higher capital requirements if they rely heavily on non-deposit funding, while also recommending regulators set a minimum safety margin level for all forms of collateralized lending.

“The remarks are Tarullo's most prescriptive to date on how to deal with more than \$1 trillion in non-deposit funding used by banks and brokers that regulators are concerned is still vulnerable to runs by investors in a market panic.

“Regulators must “alter the environment that can lead to short-term wholesale funding runs in order to create a stable financial system,” Tarullo said [at a conference hosted by Americans for Financial Reform and the Economic Policy Institute] in Washington. “Completion of this task will require a more comprehensive set of measures, at least some of which must cover” non-bank financial institutions.”

### [Volcker Rule Gets a Boost in Post-Nuclear Senate: BGOV Insight](#)

**Cady North, BGOV (paywalled), 11/22/13**

“Nine nominations at four financial regulators, including those implementing Dodd-Frank and the Volcker rule, are more likely to move forward following Senate Majority Leader Harry Reid's use of the “nuclear option” to change the chamber's rules. Executive branch nominations can now advance with a simple majority, rather than 60 votes, potentially speeding up rulemaking at agencies where nominees for top positions are awaiting confirmation...

“Five agencies, including the Securities and Exchange Commission, CFTC, Fed, Office of the Comptroller of the Currency and Federal Deposit Insurance Corp., are working to tease out enforcement matters on the Volcker rule. If all positions are filled, 23 individuals sitting on these commissions and boards have a say in the final rule. Without the Senate's new rules, as many as six of these individuals could have been awaiting confirmation for an extended period of time,

making it more difficult to approve this and other Dodd-Frank rules. Even so, if the CFTC doesn't attempt to vote on the Volcker rule before Gary Gensler leaves the commission in January, a vote probably will be postponed until the first or second quarter of next year, after the positions are filled. Commission disagreement could affect the outcome if a vote is attempted before January."

### [More Trouble For Volcker Rule](#)

**Ben Goad, The Hill, 11/26/13**

### [Fed's Tarullo Says Volcker Rule Will Prevent More London Whales](#)

**Jeff Kearns & Jesse Hamilton, Bloomberg, 11/23/13**

### [SEC's Stein Says Herculean Work To Yield Imperfect Volcker Rule](#)

**Dave Michaels, Bloomberg, 11/22/13**

### [Levin, Merkley Have Ally On Volcker Rule](#)

**Zachary Warmbrodt, PoliticoPro (paywalled), 11/22/13**

### [How Regulators Will Toughen The Volcker Rule](#)

**Donna Borak, American Banker, 11/25/13**

### [Largest U.S. Banks See Themselves In "Regulatory Spiral" With No Clear End](#)

**Henry Engler, Compliance Complete (paywalled), 11/25/13**

### [EU To Push For U.S. Commitment In Trade Talks On Financial Service Regulation \(BNA\)](#)

**Joe Kirwin, Bloomberg BNA (paywalled), 11/26/13**

### [Recognizing Realities, Reshaping The Too-Big-To-Fail Debate \(BNA\)](#)

**Charles M. Horn, Bloomberg BNA (paywalled), 11/25/13**

## **OTHER TOPICS**

### [Here's Why Wall Street Has a Hard Time Being Ethical](#)

**Chris Arnade, Guardian, 11/25/13**

"My first year on Wall Street, 1993, I was paid 14 times more than I earned the prior year and three times more than my father's best year. For that money, I helped my company create financial products that were disguised to look simple, but which required complex math to properly understand. That first year I was roundly applauded by my bosses, who told me I was clever, and to my surprise they gave me \$20,000 bonus beyond my salary...

"I never did meet the buyers; that was someone else's job. I stayed behind the spreadsheets. My job was to try to extract as much value as possible through math and clever trading... One senior trader, consoling me late at night, reminded me, 'You are playing in the big leagues now. If a customer wants a red suit, you sell them a red suit. If that customer is Japanese, you charge him twice what it costs.'"

**[A Crisis of Culture: Valuing Ethics And Knowledge In Financial Services](#)**

**Michael Kapoor, Economist/CFA Institute, 11/25/13**

**[High-Frequency Traders Meet Nightmare On Elm Street With Nanex](#)**

**Michael P. Regan, Bloomberg, 11/26/13**

**[Price-To-Earnings Metric Regains Popularity As Banks Heal](#)**

**Robert Barba, American Banker, 11/25/13**

**[Mexico's Stealthy Bank Reform Deserves Notice](#)**

**Gabriel Casillas, Bloomberg, 11/25/13**