

This Week in Wall Street Reform | Sept 2 - Sept 8, 2017

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TRUMP ADMINISTRATION AND WALL STREET

[On financial regulation, who will you believe, the criminals or the cops?](#) | The Hill (Evan Kraft)

The Wall Street Journal advocates a dramatic decrease in regulation. When one looks at the specifics that anti-Dodd-Frank forces are suggesting, for example in Rep. Jeb Hensarling's (R-Texas) proposals to reform the Dodd-Frank regulatory reform act, what one sees is largely a return to pre-2008 laissez-faire, hands-off approaches. So who are you going to trust: the financial industry that brought the world economy to its knees, or the lawmakers and regulators who stabilized the situation?

[Senate Banking panel approves Trump's Fed, comptroller nominees](#) | The Hill

The Senate Banking Committee on Thursday approved the nominations of two of President Trump's top financial regulatory nominees, sending them to the full Senate for consideration. The panel approved Randal Quarles to serve as Federal Reserve vice chairman for supervision and Joseph Otting to serve as comptroller of the currency along party lines.

Only Sen. Heidi Heitkamp (D-N.D.), who is up for reelection in 2018 in a state Trump won by large margin, voted with all Republicans to approve Otting. Sens. Jon Tester (D-Mont.), Joe Donnelly (D-Ind.), Chris Van Hollen (D-Md.) and Mark Warner (D-Va.) voted with Heitkamp and all Republicans to approve Quarles; Tester and Donnelly are up for reelection next year. Quarles and Otting should face little difficulty clearing the GOP-controlled Senate. The two will play major roles in the Trump administration's efforts to reshape financial regulation and "dismantle" the Dodd-Frank Act.

See [AFR statement](#) opposing nominations of Randal Quarles and Joseph Otting

See Public Citizen report, [President Trump's Financial Disclosures: What we Know, Don't Know, and Why It All Matters](#)

[American workers will catch on to Trump's con](#) | Washington Post (E.J. Dionne Jr.)

[Trump said the system is rigged - now he's showing us how much](#) | Washington Post (Paul Waldman)

[Presidential Powers Pose a Problem for Markets | Bloomberg \(Gary Shilling\)](#)

The fiduciary rule governing retirement-savings accounts is being delayed by 18 months from the Jan. 1, 2018 compliance date to July 1, 2019, so significant revisions may be made. The Treasury Department is proposing the rollback of many restrictions on financial institutions that the Obama administration believed were necessary to curb excessive risk-taking and a repeat of the 2008 financial crisis. Many are part of the 2010 Dodd-Frank financial regulation law.

The Consumer Financial Protection Bureau is still led by an Obama-appointed director, but is shifting toward lenders' interest [over] its previous exclusive focus on consumer borrowers. As it rushes to complete a regulation on payday lenders before a Trump appointee takes over, it is scaling back restrictions on them. Of course, the new leadership may simply not enforce whatever restrictions on payday lenders that survive.

WELLS FARGO - THE LATEST

[Year after scandal exposed, Wells Fargo under gun for new consumer abuses | Politico](#)

A year after regulators fined Wells Fargo \$185 million for opening potentially millions of fake accounts, the bank is nowhere close to putting the scandal behind it. Congress is threatening new hearings, and some Democrats have called on regulators to remove the bank's board or for breaking up the lender entirely.

In fact, consumer abuses there are just as fresh in lawmakers' minds as they were a year ago, with new revelations that the scope of the scandal was larger than originally thought and that the bank charged hundreds of thousands of customers for auto insurance they didn't need. Another group of victims: military veterans

[Wells Fargo scandals are sabotaging Trump's deregulation push | CNN](#)

[Wells Fargo forced mortgage applicants to pay unwarranted fees | Washington Post](#)

The suit alleges that Wells Fargo engaged in "a systematic effort" to charge unwarranted rate-lock extension fees — sometimes costing thousands of dollars each — to borrowers who should not have been required to pay them. The Consumer Financial Protection Bureau is investigating the same practices, according to Wells Fargo's most recent quarterly filing with the Securities and Exchange Commission.

[Former Wells Fargo employees claim retaliation over fake accounts | Philadelphia Business Journal](#)

Two former regional presidents have sued Wells Fargo & Co., claiming they were unfairly fired over the bank's sales-practices scandal. The husband and wife duo were fired in March from their roles of overseeing regions of Southern California, where they collectively supervised about 3,500 Wells Fargo employees.

[Wells Fargo faces new consumer lawsuit alleging improper mortgage fees | USA Today](#)

Victor Muniz, a security dispatcher at a Las Vegas casino, recently bought his first home in Sandy Valley, Nev., a small desert community where his parents live... The lawsuit alleges Muniz was among many customers victimized by embattled bank's latest consumer rip off — a system that gouged home borrowers with improper fees to complete the mortgage process.

Seeking class-action status on behalf of other Wells Fargo mortgage customers, the lawsuit ultimately could trigger damages that rival the financial fallout from the scandal over unauthorized accounts that has rocked the nation's third-largest bank by assets since the issue sparked national attention nearly a year ago.

[As Wells Fargo scandal deepens, GOP lawmakers push bank deregulation](#) | LA Times (David Lazarus)

If Republican lawmakers needed any more reminding of the foolishness of dismantling the bureau, Wells Fargo revealed last week that it may have opened as many as 3.5 million accounts without customers' permission — way more than the 2.1 million it previously acknowledged.

"Wells Fargo is the poster child for why consumers need a strong Consumer Financial Protection Bureau," said Emily Rusch, executive director of the California Public Interest Research Group. "Wall Street and its allies like to argue that there is too much oversight of the financial sector right now. Tell that to a Wells Fargo customer."

[Could you be a Wells Fargo account victim? 5 things to do](#) | Fox Business

[ICBA head: Why hasn't Fed removed Wells board?](#) | Politico

"Most shocking aspect of Wells scandal is not that wrongdoing has been going on for years, but that regulators haven't removed the board-WTH?" tweeted Cam Fine, president and CEO of the Independent Community Bankers of America.

Fine argued that if similar problems had occurred at a community bank, regulators would have removed board members and senior management.

[Wells Fargo Should Focus on Its Actual Misbehavior, Not on Perceptions](#) | NY Times (William D. Cohan)

EQUIFAX

[Equifax says cybersecurity incident could affect 143 million consumers](#) | CNBC

Equifax, which supplies credit information and other information services, said Thursday that a data breach could have potentially affected 143 million consumers in the United States. The population of the U.S. was about 324 million as of Jan. 1, 2017, according to the U.S. Census Bureau, which means the Equifax incident affects a huge portion of the United States.

Equifax said it discovered the breach on July 29. "Criminals exploited a U.S. website application vulnerability to gain access to certain files," the company said. Shares of Equifax fell more than 5 percent during after-hours trading.

[Equifax breach exposes 143 million people to identity theft](#) | Washington Post

The theft obtained consumers' names, Social Security numbers, birth dates, addresses and, in some cases, driver's license numbers. The purloined data can be enough for crooks to hijack the identities of people whose credentials were stolen through no fault of their own, potentially wreaking havoc on their lives. Equifax said its core credit-reporting databases don't appear to

have been breached. Three Equifax executives sold shares worth a combined \$1.8 million just a few days after the company discovered it had been hacked, according to documents filed with securities regulators.

[Equifax Is Trying To Make Money Off Its Massive Security Failure](#) | **Huffington Post**

“At this point it’s very clear that Equifax is trying to use this massive data breach as an excuse to profit, which is just appalling behavior,” said Amanda Werner, the campaign manager at **Americans for Financial Reform**. “I can’t even put into words how awful this behavior is.”

[Equifax breach may kill repeal of CFPB mandatory arbitration rule](#) | **American Banker**

One problem that moderate senators have is that any action under the Congressional Review Act would prevent the CFPB from writing another rule on mandatory arbitration clauses. That leaves lawmakers uneasy, and sets them up to take the blame in cases like Equifax.

Amanda Werner, campaign manager at the consumer group **Americans for Financial Reform** and the liberal watchdog group Public Citizen, said “it is pretty appalling that Equifax would exploit consumers need for identify theft protection in the wake of this crisis they created in order to avoid accountability.”

[Equifax Hack Likely to Scramble Deregulatory Efforts](#) | **Wall St. Journal**

Some Republican lawmakers, meanwhile, have sought to curb these companies’ liability when disputes with consumers arise. The bill that the House Financial Services Committee was debating on Thursday was introduced in May. It aims to put a monetary cap on class-action damage awards paid to consumers for harm resulting from inaccurate credit data...

A spokesman for the committee said Friday that it had scheduled no further action on the bill, and five others related to consumer finance that were debated on Thursday. “It’s been presented that this is a credit bureau protection act—this is false,” Rep. Barry Loudermilk (R., Ga.), the sponsor of the legislation, said at Thursday’s hearing. “This is to protect consumers and all Americans.”

['Most Brazen Corporate Wrongdoer Maneuvers in Memory'](#) | **Common Dreams**

A new rule from the Consumer Financial Protection Bureau (CFPB) bans companies from using these consumer-unfriendly mandatory arbitration clauses. But it doesn't go into effect until Sept. 18. It's also already in the cross-hairs of Republicans—a point noted CFPB creator Sen. Elizabeth Warren (D-Mass.), who called the breach "Exhibit A for why we must stop @GOP from reversing the @CFPB's rule protecting your right to join class actions."

[Equifax's arbitration clause raises eyebrows after data breach](#) | **Cleveland Plain Dealer**

[CFPB, Congress set to scrutinize Equifax breach and arbitration clause](#) | **PoliticoPro**

[Consumer Backlash Spurs Equifax To Drop 'Ripoff Clause' In Offer To Security Hack Victims](#) | **Forbes**

Consumer groups reacted with fury to the proposal, which required compromised consumers to agree to forced arbitration – a form of negotiation that consumers rarely win. Yesterday a coalition of 70 consumer, legal and community organizations called Fair Arbitration Now released a statement lambasting the proposal.

“Outrageous” is how Public Citizen and the National Consumer Law Center – part of the network – described the “ripoff clause” proposal in a separate press release. Equifax’s forced arbitration proposal, the consumer groups said, added “insult to injury” over the personal data heist, which stole names, birth dates, and Social Security numbers as well as some credit card and drivers’ license numbers. Equifax customers may be gratified to learn the consumer backlash apparently led company executives to disavow the blanket arbitration clause for victims of the enormous security hack.

[One Thing Government Agrees on: Equifax Deserves a Grilling | Bloomberg](#)

The list of politicians and regulators seeking answers from the credit-reporting company is long and growing. The Consumer Financial Protection Bureau is looking into the data breach and Equifax’s response, while the FBI said it is also reviewing the situation. New York’s attorney general has opened an investigation and at least three U.S. House panel’s said they would hold hearings.

“This is obviously a very serious and very troubling situation and our committee has already begun preparations for a hearing,” House Financial Services Committee Jeb Hensarling, a Texas Republican, said in a Friday statement. “Large-scale security breaches are becoming all too common. Every breach leaves consumers exposed and vulnerable to identity theft, fraud and a host of other crimes, and they deserve answers.”

See statements by [AFR](#), [NACA/Georgia Watch](#), [Public Citizen](#), and [US PIRG](#).

CFPB AND CONSUMER FINANCE

[Wells Fargo scandal prompts legislation to protect victims of mass fraud | Woodland Daily Democrat](#)

The state Assembly has passed along legislation protect victims of mass fraud and identity theft. The bill, co-authored by state Senator Bill Dodd, D-Napa, and Matt Dababneh, D-Woodland Hills, was introduced after it was learned there where millions of accounts fraudulently opened without consent, using consumer’s personal information from existing accounts. This legislation would eliminate the use of forced arbitration clauses in contracts that were fraudulently created by financial institutions, giving victims their day in court.

[CFPB Rule Fight Forces Senators to Choose: Military Families or Big Banks | Huffington Post \(Paul Bland\)](#)

[The Senate will soon be asked to decide whether it is better if Americans can enforce consumer protection laws, as the servicemembers in these cases did, or if it’s better to let banks pocket millions of dollars in illegal profits at the expense of those who defend our nation. That’s because, on July 19, 2017, the Consumer Financial Protection Bureau issued its long-awaited rule that prohibits banks and payday lenders from using forced arbitration clauses to strip consumers of their ability to bring class actions against them. If that rule is permitted to go into effect, all military families, and all American consumers, will be able to join together in a class action...

Unfortunately, on July 25, the U.S. House of Representatives voted to repeal the CFPB's rule under the Congressional Review Act, a law that allows Congress to throw out any federal regulation issued within the last sixty days. Big banks want the Senate to follow suit, and pundits suggest that the vote will be close.

See [American Legion resolution](#)

[In surprise twist, CFPB arbitration rule racks up allies from the right](#) | PoliticoPro

A group of conservatives is breaking ranks with right-leaning groups to endorse a CFPB rule that prohibits financial companies from forcing customers into arbitration to settle disputes. The rally from the right could be enough to tip the scales in the Senate...

A poll released today by the American Future Fund, a super PAC established to support Mitt Romney's bid for president, shows broad support for the arbitration ban in states where moderate Republicans could decide the future of the rule. In Ohio and Alaska, more than two-thirds of people polled supported the bureau's rule, including a majority of Republicans and people who described themselves as "very conservative," the survey found. In Louisiana, support for the rule neared 70 percent. In Maine, where Republican Susan Collins boasts strong favorability from liberals and moderates, 65 percent of those polled backed the arbitration rule.

[Arbitration clauses let businesses escape fraud accusations](#) | St. Louis Post Dispatch (letter)

I wholeheartedly agree with the editorial approving the Consumer Financial Protection Bureau's ban on arbitration clauses that bar the use of consumer fraud class actions ("Fighting for consumers," Aug. 28). Mark G. Arnold's criticism of same ("Lawyers, not consumers, benefit from class action cases," Aug. 29) was both disingenuous and self-serving. While it is true that often the consumer victims receive little from these lawsuits, the reality is that they would receive nothing if the mandatory arbitration clauses are upheld.

[Republicans Accelerating Repeal of Rule to Restore Consumers' Right to Sue Banks](#) | Forbes

"Those [Wells Fargo] customers were forced into secret arbitration, and now we learn the bank may have created more than 3 million fake accounts," said Amanda Werner, arbitration campaign manager for **Americans for Financial Reform & Public Citizen**. "Private arbitration is a huge incentive for wrongdoing. With no press or law enforcement involved, it's easy for banks to get away with fraud..."

The legislators trying to overturn the rule "have portrayed it as a battle between banks and lawyers," according to Werner. "They try to make it seem irrelevant. But this is a battle between consumers and banks, and it absolutely affects all of us. The class action lawsuits we've been seeing against the banks are anything but frivolous."

[Crapo expects Senate action on CFPB rule soon](#) | PoliticoPro

Crapo told reporters today that he expected the votes will be there. "My understanding is that we are going to move it," he said. "I expect that to be soon."

[Arbitration clauses let businesses escape fraud accusations](#) | St. Louis Post-Dispatch (letter to editor)

One consumer's damages are never enough to justify the expense of arbitration or an attorney's involvement. Therefore the business that commits the fraud escapes all responsibility. This, of course, is the intent all along of these mandatory arbitration clauses. Unethical, greedy businesses that commit fraud don't want to face a jury; they want to be able to pursue their greed with impunity.

[California on brink of letting customers sue banks](#) | Reuters

California is one step away from allowing state residents to sue financial institutions for fraud, rather than letting banks force customers to settle disputes in arbitration, after the state legislature gave final approval on Tuesday to a bill inspired by last year's Wells Fargo scandal.

The bill, passed by the Democratic-controlled legislature, now requires the approval of Governor Jerry Brown, a Democrat, who is expected to sign it into law shortly. Under the bill, judges could override contract clauses that require customers to settle disputes through arbitration in cases where a bank commits fraud using customers' personal information.

[Speak out now for your right to join a class-action lawsuit?](#) | Boston Globe (Sarah Shemkus)

What can you do? First, pay attention. These clauses are widespread, but not universal. You may be able to find an alternate provider that doesn't require the same surrender of rights. In addition, some companies' terms include an opt-out provision that allows you to reject binding arbitration, but only if you notify the company within 30 days.

Second, speak out. The Senate has not yet taken up the proposal to overturn the CFPB rule, so there is time to make your voice heard. Contact companies as well — they will never give up these self-serving clauses unless consumers demand it.

[CFPB arbitration rule will still pose costs to consumers](#) | American Banker (Joseph Ciotti)

[The CFPB's class-action lawyer enrichment rule](#) | The Oklahoman (Tyger Joyce)

Consumer advocates lauded the agency's arbitration rule, as they believe citizens finally have their day in court. Little do they know, this move is nothing more than political grandstanding that allows trial lawyers to reap a hefty windfall at the expense of consumers.

[Congress Can Rescind the CFPB's Gift to Trial Lawyers](#) | Wall St. Journal (Ted Frank)

[Debate on mandatory arbitration continues](#) | Colorado Springs Gazette

[Issuance of Part I of CFPB Debt Collection Rule is imminent](#) | Consumer Finance Monitor

[Cordray dodges questions — again — about his political ambitions](#) | Washington Post

The annual AFL-CIO Labor Day picnic is a staple for up-and-coming Democrats in Ohio. Surrounded by welders, electricians and their families eating hot dogs, Richard Cordray, the state's former attorney general, joined their ranks Monday....

“For more than six years now, I have continued to fight for you, and for all American consumers,” he said. But in his fierce defense of the agency before a sparse but polite crowd, Cordray failed to address the question that has followed him for months: Will he run for Ohio governor? “I don’t have anything to say about that,” Cordray said afterward, waving off any questions about his political future.

[Interest in CFPB Commission Fades Even If Cordray Departs](#) | Bloomberg BNA

DERIVATIVES, COMMODITIES AND THE CFTC

[CFTC Charges Monex With \\$290 Million Precious-Metals Fraud](#) | Wall St. Journal

FEDERAL RESERVE

[Fed policymakers signal caution on inflation, rate hikes](#) | Reuters

[Federal Reserve Vice Chairman Stanley Fischer to resign in October](#) | The Hill

Fischer cited "personal reasons" for his early departure, and praised his Fed colleagues for their efforts to stabilize the economy after the 2008 crisis.

INVESTOR PROTECTION AND THE SEC

[No Law Needed on Insider Trading, SEC Chief Says](#) | Wall St. Journal

Securities regulators and prosecutors had reason to celebrate last month when a federal appeals court broadened the definition of insider trading. Now a key official has indicated he is in no rush for Congress to clarify the sometimes blurry line between lawful trading and cheating. The Securities and Exchange Commission is well positioned to punish insider trading and doesn't need Congress to write legislation that would define it, the agency's chairman said this week. Speaking at a forum sponsored by the New York University School of Law, Jay Clayton said Congress doesn't need to specify what should be illegal, despite several recent court decisions that have shifted the standard in cases involving people who traded on illicit tips they received.

While Australia and the European Union have defined insider trading in legislation, in the U.S. the concept is built on a patchwork of case law that lets federal courts interpret the law differently. Still, that hasn't hurt the U.S. government's ability to punish wrongdoers, Mr. Clayton said. "I think we do a pretty good job in this space as I compare it to other jurisdictions," Mr. Clayton told the NYU audience...

[Trump to nominate Robert Jackson for seat on SEC](#) | Reuters

U.S. President Donald Trump is expected to nominate Columbia University law professor Robert Jackson to be a member of the Securities and Exchange Commission... His appointment follows the administration's decision to nominate Hester Peirce as a Republican commissioner in July and would bring the SEC to full strength and paving the way for Chairman Jay Clayton to push ahead on an agenda of reducing public companies' regulatory burdens.

[SEC Chief Wants Investors to Better Understand Cyberrisk](#) | Wall St. Journal

[Contender for SEC trading division chief out of consideration](#) | PoliticoPro

MANAGED FUNDS

[How a small Wisconsin town is making some hedge funds very nervous](#) | CNBC

After a century-old paper mill in Brokaw, Wisconsin, closed a few years ago, the town of 250 residents effectively went bankrupt. Brokaw will soon be dissolved by its two neighboring towns. But it has found a new way to live on: through a federal bill named for it that would restrict Wall Street's activist hedge-funds, the type of investing firms that were blamed for the town's demise.

The Brokaw Act would require more disclosures by these hedge funds, which have been accused of promoting short-term gains over the long-term health of the companies they battle for change. Its sponsor, Sen. Tammy Baldwin (D-Wis.), plans to reintroduce the bill when the Senate is back in session after earlier attempts last year stalled.

This time, she has a Republican co-sponsor, Sen. David Perdue of Georgia, and the backing of a coalition of business leaders, including Home Depot. That has already garnered the concern of hedge-fund activists, who say if the bill becomes law it could severely restrict their ability to take minority stakes in companies and push for change.

[Trump Must Keep Vow on Carried-Interest Loophole](#) | Bloomberg (Morris B. Pearl and Michael Kink)

As Treasury Secretary Steven Mnuchin explained in an appearance with Senator Mitch McConnell last month, the administration will... keep the loophole open for funds that "create jobs." This amounts to a loophole for the loophole, and parrots the widely discredited talking points of lobbyists for the private-equity industry (the people who benefit from the carried-interest loophole) who claim the funds create jobs. In reality, the funds are responsible for layoffs nearly as often as they are for job creation.

But even if private-equity funds were responsible for every single new job in the U.S., the carried-interest loophole would still be inexcusable, because it has nothing to do with the functioning of the firms themselves. Carried interest affects the income of the people who own the fund management companies, not the funds they work for or their investors. There is no economic justification for allowing these managers, who make millions and sometimes even billions of dollars without investing any of their own capital, to pay half the tax rate of everyday Americans who actually work for a living.

[ILPA Subscription Best Practices— A Step Too Far](#) | Investment Council

[Private-Equity Pours Cash Into Opioid-Treatment Sector](#) | Wall St. Journal

Private-equity firms are piling into a new business opportunity: the opioid addiction crisis. Drawn by soaring demand, expanded insurance coverage and the chance to consolidate a highly fragmented market, firms plowed \$2.9 billion into treatment facilities last year, up from \$11.4

million in 2011, according to research firm PitchBook Data Inc. The number of private-equity deals rose to 45 from 25.

The firms are acquiring or expanding clinics that provide everything from detox and residential care to outpatient and methadone treatment. In some cases, private-equity firms have approached not-for-profit outfits in an attempt to buy and convert them to for-profit entities, say treatment-center executives.

MORTGAGES AND HOUSING

[House flippers triggered the US housing market crash, not poor subprime borrowers](#) | Quartz

The grim tale of America's "subprime mortgage crisis" delivers one of those stinging moral slaps that Americans seem to favor in their histories. Poor people were reckless and stupid, banks got greedy. Layer in some Wall Street dark arts, and there you have it: a global financial crisis.

Dark arts notwithstanding, that's not what really happened, though. Mounting evidence suggests that the notion that the 2007 crash happened because people with shoddy credit borrowed to buy houses they couldn't afford is just plain wrong. The latest comes in a new NBER working paper arguing that it was wealthy or middle-class house-flipping speculators who blew up the bubble to cataclysmic proportions, and then wrecked local housing markets when they defaulted en masse.

[The Cost to Produce a Mortgage Falls Closer to Historic Lows](#) | Housing Wire

After a strong year in 2016, independent mortgage banks and mortgage subsidiaries of chartered banks recorded a slow start to the year. However, following seasonal norms, business started to pick up moving into the busy spring home buying season, the Mortgage Bankers Association's latest Quarterly Mortgage Bankers Performance report found.

Record high mortgage expenses scarred the previous year despite revenues also reaching a record high. But even with the increase in mortgage expenses last year, it still proved to be a positive year for independent mortgage banks. MBA noted that average loan balances reached a study-high of \$244,945 for first mortgages in 2016, which translated into higher revenues that reached a study-high \$8,555 per loan in 2016.

[Lower mortgage rates push more borrowers to refinance](#) | CNBC

REGULATION IN GENERAL

[Neomi Rao, Washington's New Regulatory Czar](#) | Politico

It's no secret that President Donald Trump's core agenda has been stymied at nearly every turn. Obamacare? Still the law of the land. His travel ban? Blocked by the courts. The border wall? Unfunded. Less known is Trump's success against the regulatory state, using the power of the White House to roll back dozens of Barack Obama-era rules and largely shut off the pipeline of new ones.

It's the "deconstruction of the administrative state," as White House chief strategist Steve Bannon famously promised, and its leader is Neomi Rao, a law professor on leave from George Mason University who now is the director of the White House's Office of Information and Regulatory Affairs—also known as the country's regulatory czar.

[Too many regulations a problem](#) | **The Clermont Sun (Senator Rob Portman)**

[T]he federal regulatory process hasn't been reformed in any significant way in over 70 years. Think about that—the last time Congress reformed what's called the Administrative Procedure Act, the law that provides our regulatory framework, was when Harry Truman was president. Back then a gallon of gas cost 21 cents and the American economy was 10 percent of the size it is today. We need 21st century regulatory policies that keep up with our 21st century economy. That's why I introduced the Regulatory Accountability Act, a bipartisan bill that would modernize federal regulations, increase transparency, and give the public more of a voice in the process.

RETIREMENT INVESTMENT AND DOL FIDUCIARY RULE

[Wall Street Accepts \(but Lobbies Against\) the Fiduciary Rule](#) | **Bloomberg Government**

Wall Street has said for the past couple of years that the DOL's fiduciary rule will disrupt the financial services industry, and it's spent a lot of money fighting against the rule. But in the three months since the major parts of the rule went in to effect, these same firms are telling their shareholders that they've already adapted to the rule. Adapting to the rule, however, hasn't stopped the industry from continuing to lobby against it.

Lobbying dollars spent by financial services firms coupled with reports given to shareholders illustrate a strategic approach to comply with the Labor Department's fiduciary rule that allows companies to prepare for the rule as it currently exists, while pushing for changes they want to see. These changes range from streamlined exemptions to outright repeal. In fact, Sen. Elizabeth Warren (D-Mass.), who's known for calling out Wall Street's opposition to the fiduciary rule, this week in a letter to Labor Secretary Alexander Acosta pointed to the earnings statements of at least 10 financial services companies as proof that the rule is having its intended effect of improving the industry.

[Warren \(Again\) Quotes Financial Firms in Challenging Fiduciary Rule Delay](#) | **Napa Net**

[Sen. Elizabeth Warren urges DOL to implement fiduciary rule without delay](#) | **Investment News**

Sen. Elizabeth Warren (D-MA) says that, "Contrary to the alarmist claims of their lobbyists and the conclusions of opaque industry-funded studies," financial firms are "fully ready" to comply with the fiduciary rule – and you don't need to take her word for it.

Warren, an early and enthusiastic supporter of the fiduciary regulation, has sent a letter to Labor Secretary Alexander Acosta, reminding him of his May op-ed in The Wall Street Journal in which he had said there was "no principled legal basis to change the June 9 date," contrasting that to the Labor Department's August announcement in a court filing to push the applicability date for the full Best Interest Contract Exemption (BICE) full applicability date.

[Retirees to lose nearly \\$600 million under changes](#) | Jacksonville (Fla.) Journal Courier

Consumer advocates say they are worried two new policies could hurt the average worker and favor Wall Street and big business. The Labor Department said last week that it is delaying by 18 months enforcement of key parts of the Obama-era Fiduciary Rule, which requires financial advisers to put clients' interests above their own when recommending investments.

Ed Mierzwinski, consumer program director for PIRG, says the president is simply carrying water for Wall Street. "They've been taking an estimated \$17 billion a year out of retirement savers' pockets by giving advice that rewards them with higher fees and commissions instead of rewards you with the best plan," he says.

[Battle lines form as SEC considers new fiduciary rule](#) | InvestmentNews

The SEC waded back into the intense debate over advice standards in response to the Labor Department's fiduciary duty rule that was partially implemented in June. That measure is undergoing a review mandated by President Donald J. Trump that could lead to changes. The SEC has failed to propose its own fiduciary rule, even though it was authorized to do so by the 2010 Dodd-Frank financial reform law.

Brokerage industry advocates and firms are telling the SEC to enhance the suitability standard and rely on disclosures. Under suitability, a broker can recommend high-fee investments, even if lower-cost ones are available, as long as they that meet an investor's goals, risk appetite and other factors.

[Did you know 401\(k\) rollovers have risks?](#) | Knoxville News-Sentinel (David Moon)

If someone advises you to move your 401(k) assets into a rollover IRA, be wary... Many so-called financial advisers, who do not care what is in the best interest of anyone but themselves, regularly and inappropriately advise people to roll their 401(k) assets into IRAs at their first opportunity to do so.

[ABA Releases Free Guide on Fiduciary Rule Implications for Marketing, Sales](#) | Banking Journal

With the Department of Labor's fiduciary rule now in effect, ABA today released a new members-only guide to help banks understand the rule's implications for their marketing and sales activity. The guide is intended to help bankers discern a line between fiduciary and non-fiduciary marketing and sales activity, using the fiduciary rule's requirements and DOL's frequently asked questions as a baseline.

The new resource covers who qualifies as a fiduciary under the rule, the consequences of fiduciary status, and the "hire me" exception. It also provides illustrations that indicate the DOL's regulatory parameters for determining fiduciary versus non-fiduciary status.

[How Rep. Ann Wagner's Upbringing Shapes Her Fight Against the Fiduciary Rule](#) | Wealth Management

[Warren \(Again\) Quotes Financial Firms in Challenging Fiduciary Rule Delay](#) | Napa Net

[Sen. Elizabeth Warren urges DOL to implement fiduciary rule without delay](#) | Investment News

[Congress likely to 'push down' the priority of killing DOL fiduciary rule](#) | Investment News

A main congressional opponent of the Department of Labor's fiduciary rule said Thursday that Capitol Hill's swelling political agenda will decrease the priority level of taking up legislation to kill the rule. "Right now, you've got a debt-ceiling vote coming up, a hurricane bearing down on us, ... health care that hasn't been done [and] tax reform ... [The fiduciary rule] will get pushed down," Rep. Phil Roe, R-Tenn., a member of the House of Representatives' subcommittee on Health, Employment, Labor and Pensions, said.

"There's just so much on the plate for everyone up there right now. There are only so many things you can focus on," said Mr. Roe, the author of a bill to kill the DOL rule and replace it with an advice standard based on disclosure. That bill passed the House Education and the Workforce committee in July.

[Will SEC And DOL Get On The Same Side? It's About Time](#) | Forbes

President Donald J. Trump initially delayed the implementation of the Department of Labor (DOL) fiduciary rule requiring brokers or those offering advice on retirement-savings accounts to put clients' interests first, and it has again been delayed until July 2019. It finally went into partial effect June 9, but nothing is truly set in stone yet. While the DOL considers revising or repealing the rule before it takes full effect, the Securities & Exchange Commission (SEC) is working on its own standards of conduct for investment advisors and brokers. Ideally, the delay will give the two agencies additional time to collaborate ahead of the rule's implementation.

[Former SEC Commissioner Aguilar Optimistic About a Uniform Standard](#) | Wealth Management

In his first public speech earlier this year, Securities and Exchange Commission Chair Jay Clayton mentioned the fiduciary standard as one of his priorities, a positive sign that fiduciary rulemaking could get done, according to former SEC commissioner Luis Aguilar. "That tells me that it's clearly on his radar screen because he didn't have to mention it," Aguilar said on a webinar sponsored by TD Ameritrade Institutional.

[Retirement savers at risk under Labor's financial advisor rule](#) | The Hill (Kenneth E. Bentsen)

In the last 15 months, investors have seen a loss of product choices, loss of a financial professional to talk to, more expensive products and the relegation of retirement savers to the internet or call centers. We have seen small accounts terminated, shifts to advisory solutions for retirement savers and access to municipal bonds and new issues cut off. We've also seen confusing differences between the products and services that may be offered to personal taxable accounts versus retirement accounts.

STUDENT LOANS AND FOR-PROFIT SCHOOLS

[DeVos ends agreement to work on student loan fraud](#) | The Hill

The Education Department on Friday announced it will stop working with the Consumer Financial Protection Bureau (CFPB) to police student loan fraud. The department, now led by Education Secretary Betsy DeVos, canceled agreements with the CFPB from 2011 and 2013

that established the working relationship, arguing the agency violated its terms by overstepping its boundaries.

Education Department officials said the CFPB violated the agreements by not directing complaints about Title IV student loans to the department within 10 days; instead, the bureau addressed the cases.

See [AFR statement](#).

[Why Veterans and Others Need More Protection Against Loan Fraud](#) | Task and Purpose

Students have been trying to sue Corinthian, for example, over its deceptive conduct since at least 2006. But Corinthian, like many other for-profit schools, used fine-print forced arbitration clauses in its student enrollment contracts to have such cases dismissed. Students are instead forced to bring their claims one by one before a private arbitrator – one agreed to by the school. Even if a student wins, the arbitrator has no power to change the school’s future practices or address students in the same situation. Mandatory arbitration agreements are quite common in contracts for car loans and credit cards, but many believe they’re fundamentally unfair in the education sector, since such agreements force students to relinquish their right to sue for damages as a condition of enrollment.

[What a New Trump Administration Hire Could Mean for For-Profit Colleges](#) | The Atlantic

The Trump administration has tapped Julian Schmoke, a former DeVry University administrator, to lead the Education Department’s student-aid enforcement unit. The move provoked complaints from critics who pointed out that DeVry recently settled several claims brought against it by regulators alleging it had engaged in some of the very abuses the unit is charged with eliminating.

Schmoke’s hiring was first reported by Politico on Tuesday evening, citing an internal email announcing the move. Schmoke, who most recently oversaw campus operations at a community college in Georgia, will be in charge of addressing allegations of illegal activities such as fraud by higher-education institutions.

[Why Does America Keep Falling for “Sham Schools”?](#) | New Republic

Julian Schmoke was the villain this week. Outrage erupted following the news that the Trump administration has picked the former for-profit college dean to run a division of the Education Department—and not just any division, but the Student Aid Enforcement Unit, which polices fraud by higher education institutions. For-profits are notorious for fraud, and between 2007 and 2012 Schmoke worked in various academic positions at one of the schools most responsible for that notoriety: DeVry University. Last year, DeVry settled for \$100 million in a federal lawsuit alleging that it engaged in false advertising, spreading overblown claims about the success of its graduates. So it’s no wonder that news of Schmoke’s appointment was met with alarm. “This is like the fox guarding the hen house,” Senator Dick Durbin tweeted.

[For-Profit College Plans to End Enrollment at 7 Locations](#) | US News

[Betsy DeVos Trolls America, Picks a Former For-Profit College Dean to Run an Anti-Fraud Squad](#) | Slate

SYSTEMIC RISK

[‘Too Big to Fail’ Label May Shrink for Some Firms Under Trump](#) | NY Times

The Trump administration is examining the labeling of large non-bank financial institutions as “too big to fail,” with a closely anticipated Treasury Department report on the initiative expected next month. It is unclear whether the White House will move to entirely eliminate the label, a product of the Dodd-Frank financial regulations, but analysts and industry officials predict that its use will most likely be curtailed significantly.

[Congress Moves on Financial Reform Bills](#) | Competitive Enterprise Institute blog

Last week, the House Financial Services Committee held a hearing on a range of financial regulatory bills that Congress will consider this session. The bills represent needed reforms that would provide relief to a sputtering economic recovery...

Getting the government out of regulating, subsidizing, and protecting the financial services sector will allow firms to get back to growing the economy without the risk of another tax-payer funded bailout.

See [AFR statement](#) on six House deregulation bills

[Why the Return of Bigger Banks Means Bigger Risks for Everyone Else](#) | NY Times (editorial)

Financial corporations are being given the nod to re-establish their unholy alliances, in which vast interconnections through lending, borrowing, derivatives and other transactions spread and amplify risks throughout the financial system — while regulators look the other way. The greater the risk, the greater the potential return for bank executives and traders. For everyone else, heightened risk means greater economic peril, including threatened destruction of jobs, pay, savings, home equity and career opportunity.

The Republican-controlled Congress is too jammed up to move ahead with legislation to weaken Dodd-Frank. But that won't be necessary, since the administration is doing a good job of dismantling the regulations on its own.

[Merkley, Brown urge Mnuchin to oppose changes to Volcker](#) | PoliticoPro

In a letter to Mnuchin, who chairs FSOC, the Democratic senators pointed to "increased lending, record profits, and reduced systemic risks" while the proprietary trading ban has been in place. Merkley and Brown said they agreed with Mnuchin's previous testimony that "the concept of proprietary trading does not belong in banks with FDIC insurance."

They cited backing for the provision from President Donald Trump when he was a presidential candidate and a wide range of experts. "Given this broad support, it is deeply troubling to witness this further breach of that trust by going back on those commitments," they said.

TAXES

[Corporate tax cut unpopular with voters, poll shows](#) | Politico

Cutting the corporate tax rate to 15 percent would be far less popular than getting the rate that low for small businesses, according to a new POLITICO/Morning Consult poll. In fact, six in 10 respondents said corporations pay too little in taxes.

Two-thirds of respondents said tax reform legislation should include language that would let small business owners pay a 15 percent rate instead of requiring them to pay the personal income rate of up to almost 40 percent. By contrast, 34 percent supported cutting the corporate rate to 15 percent from 35 percent.

[Trump playing active role in push to reform tax code](#) | The Hill