

This Week in Wall Street Reform | Feb. 6–Feb. 12, 2016

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CONSUMER FINANCE & THE CFPB

[CFPB Presses Banks, Credit Unions to Offer ‘Small-Dollar Loans’](#)

Yuka Hayashi, Wall St. Journal, 2/9

The Consumer Financial Protection Bureau, preparing to roll out rules aimed at reining in high-interest payday loans, is jawboning banks and credit unions to provide better alternatives for borrowers in need of small, short-term loans. Richard Cordray, director of the watchdog agency, said it is discussing ways to make it easier for banks and credit unions to offer “small-dollar” loans. The step could put the agency on a collision course with banking regulators, who have discouraged traditional banks from offering such loans. It could also fuel opposition from the \$38.5 billion payday-lending industry, which fears the new rule would wipe out much of its business.

[Americans Can’t Help Themselves From Borrowing More on Credit Cards](#)

Ben Steverman, Bloomberg, 2/9

Credit cards are an addiction that most Americans never shake. Through the booms, busts, and recessions of the last 15 years, U.S. credit habits have been remarkably consistent, according to a recent [study](#) from the Federal Reserve Bank of Boston. Most people carry over a balance from month to month, the study said, and they eagerly gobble up any additional credit their card-issuers offer. It adds up fast. Consumers owed a total of \$936 billion in credit-card and other revolving debt in December, according to Federal Reserve [data](#) released on Feb. 5. They've added \$103 billion since April 2011, but they still have less revolving debt than just before the financial crisis in 2008, when they owed \$1.02 trillion.

[Do Tax Preparers Know What They're Doing?](#)

Ben Steverman, Bloomberg, 2/10

Consumer groups are pushing federal and state lawmakers to impose tighter rules on preparers, requiring certification and education. A Consumer Federation of America survey (PDF) released on Jan. 19 found that 80 percent of 1,011 respondents supported the idea of requiring tax preparers to pass a test. While large tax prep companies, including H&R Block Inc., support tighter regulations, new rules are opposed by many independent tax preparers. Representing them is Dan Alban, an attorney at the Institute for Justice who in 2014 successfully used federal courts to block new IRS regulation of tax preparers... Burdensome rules would only push part-time and mom-and-pop preparers out of the business, driving up prices and benefiting larger firms, he said.

[New bill aims to restore rights lost in forced arbitration clauses](#)

Lisa Gilbert, The Hill, 2/11

Unknown to most Americans, clauses buried in the fine print of everyday contracts compel them to give up their legal rights. These clauses — called “forced arbitration provisions” — have invaded numerous facets of our daily life and, when in place, consumers and employees wronged by companies are forced to take their grievances to a closed arbitration proceeding rather than a court. The rapid emergence of forced arbitration clauses is extremely dangerous. Far from being a forum for fair resolution of disputes, arbitration is heavily weighted against the less powerful party.

A course correction is urgently needed. The Restoring Statutory Rights Act, introduced Feb. 4 by Sens. Patrick Leahy (D-Vt.) and Al Franken (D-Minn.), would make significant improvements in three ways...

[Democratic Senators introduce bill to limit use of arbitration agreements](#)

Alan Kaplinksky, CFPB Monitor, 2/8

[Mean Old Government Trying To Stifle Corporations' Sacred Right To Screw Consumers](#)

Matt Carpenter, Wonkette, 2/6

Tucked into virtually every consumer contract, an increasing amount of employment contracts, and probably some back alley blood oaths, are clauses that bind us to pursuing any legal claim through arbitration. Beyond the mere inconvenience that makes many arbitrations unrealistic, our Corporate Persons' success rate in these proceedings is so high that one might say the customer is always right about 5 percent of the time. Why is that?

Welp. In effect, the Corporate Person usually gets to pick the arbitrator.

[Study shows renters pay more for auto insurance than homeowners](#)

Capstone Group, 2/10

[Borrowers freed from illegal vehicle title loans \(Pennsylvania\)](#)

Paul Muschick, (Lehigh Valley, Pa.) Morning Call, 2/10

Hundreds of state residents, including dozens from the Lehigh Valley, should stop making payments on illegal vehicle title loans and remove GPS trackers so their vehicles can't be repossessed. The state Department of Banking and Securities advised consumers last week that loans made in the names of Sovereign Lending Solutions, Car Loan LLC and Autoloans LLC are not legally collectable in Pennsylvania and repossessions are prohibited.

[Cracking Down on Abusive Debt Collectors](#)

LeeAnn Hall, Truthout, 2/12

Once you're in the sights of a debt collector, the impact on your life can be devastating: Your wages can be garnished and your credit ruined. You might lose your driver's license, or even your job. And it could happen over a debt you don't even owe. In a recent analysis of 75,000 complaints about debt collection practices submitted to the Consumer Financial Protection Bureau - just a sample of the total number - this was the most common complaint by far. [Over 40 percent](#) of people being harassed by collectors said they didn't owe the debt in the first place.

[Race Car Driver Scott Tucker Charged With Running Fraudulent Payday Lending Operation](#)

Christopher Matthews, Wall St. Journal, 2/10

Federal prosecutors charged a businessman-turned-race-car driver and his attorney Wednesday with overcharging customers hundred of millions of dollars in undisclosed fees in one of the largest federal criminal payday-lending cases ever. Prosecutors said Scott Tucker used \$100 million of proceeds from the fraudulent loans to finance his professional racing team and purchase race cars and other luxury items.

The Manhattan U.S. attorney's office unsealed an indictment against the two men charging them with violations of the Truth in Lending Act and the Racketeer Influenced Corrupt Organizations Act and running an illegal loan business that generated more than \$2 billion in revenue between 2003 and 2012.

[Rise and fall of Scott Tucker and other payday lenders is a sobering Kansas City story](#)

Editorial, Kansas City Star, 2/12

The federal indictments detail huge enterprises that for years got away with making loans to people in desperate circumstances, then claiming much more than the value of the loans in interest and fees. And they aren't the only ones. Tucker's early success in Internet lending spurred a host of copycat businesses in this area. The boom years saw a number of newly rich lenders purchasing Johnson County mansions and luxury vehicles. The ill-gotten riches even flowed into Catholic parish and school projects.

In August 2013, U.S. Reps. Kevin Yoder of Kansas and Blaine Luetkemeyer of Missouri were lead signers of a letter to then-U.S. Attorney General Eric Holder, protesting his efforts to stop banks from processing online payday loans. Not surprisingly, both GOP congressmen, as well as Republican U.S. Rep. Lynn Jenkins of Kansas, are among the top House recipients of payday loan donations.

[CFPB Rules to Rein In Payday Lenders Won't Cap Rates, Official Says](#)

NASDAQ, 2/11

"We will not establish a usury cap and interest-rate limits on these or any other lending product," David Silberman, the CFPB's acting deputy director said at a House hearing. "We have not contemplated doing so and we will not do so." Instead, he said, the rules will emphasize that lenders adequately assess borrowers' ability to repay their loans.

[Bank-Backed Lawmakers Accuse CFPB of Hurting Consumers by Trying to Regulate Payday Loans](#)

Ashlee Kieler, Consumerist, 2/11

It's never a good sign for the Consumer Financial Protection Bureau when it's called to testify at a Congressional subcommittee hearing subtitled "The CFPB's Assault on Access to Credit and Trampling of State and Tribal Sovereignty." And so it should come as little surprise that bank-backed members of the House Financial Services Committee is trying to paint the agency's efforts to rein in predatory lending as an attack on the very people the CFPB is trying to protect. Last year, the CFPB announced it was beginning the process of [drafting rules](#) intended to crack down on harmful short-term payday lending (which is illegal in many states), vehicle title loans, paycheck deposit advances, and other high-cost installment and open-ended loans. The guidelines, which have to yet to be finalized, are intended to make sure that loans can be repaid, thus reducing the likelihood of borrowers falling into to the [cycle of having to borrow more money to repay the old debt](#).

[Signs of Forthcoming Regulation of Online Marketplace Lending](#)

Michael Nonaka, Nikhil Gore and Randy Benjenk, BNA, 2/9

Recent actions by Treasury, guidance and statements from bank regulators such as the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve, and intensified congressional attention after reports surfaced that an online lender made a loan to one of the San Bernardino, Calif. shooters may foreshadow changes to the existing regulatory environment for marketplace lenders. These changes have implications not just for marketplace lenders themselves, but also for financial institutions that compete or partner with them.

DODD-FRANK (AND CONTINUED ATTACKS)

[GOP Win in November Is First Step to Killing Dodd-Frank](#)

Eric Grover, American Banker, 2/8

If the gods have tired of punishing banks and consequently American businesses, workers and millions of the discouraged who've left the labor force, the industry will have its first real shot in 2017 at rolling back or outright repeal of the Dodd-Frank Act — a powerful damper on economic growth. But first, voters face a stark choice in this year's presidential campaign: unshackle banks and help accelerate growth, or continue to indulge in the vilification of banks while tightening the regulatory screws even more.

THE ELECTION AND WALL STREET

[Bill Clinton batters and blasts Bernie Sanders](#)

Annie Karni, Politico, 2/7

Clinton accused Sanders of hypocrisy for portraying his wife as beholden to Wall Street because of campaign donations and speaking fees she has accepted from firms like Goldman Sachs. He said he "frankly, fell out of my chair" after reading a CNN report that Sanders has been a prolific Democratic fundraiser, raising cash from the financial sector at retreats in Palm Beach and Martha's Vineyard. "Anybody who takes money from Goldman Sachs couldn't possibly be President," Clinton said. "He may have to tweak that answer a little bit, or we may have to get a write-in candidate."

And he brought up Sanders' 2000 vote in favor of the commodities futures modernization act — a bill Clinton signed into law. "He voted for that bill," he said, "but you will never hear her say he is a tool of Wall Street because of it, because they made a mistake."

[Hillary Clinton won't rule out Wall St. Treasury Secretary](#)

Heather Long, CNN, 2/8

"You have to have a Treasury Secretary who understands the economy, the American economy and the global economy," Clinton said Sunday on NBC's "Meet the Press."... "What I believe is there are good actors and bad actors in every part of our economy," she said. "The job of the president is to weed out and prevent the bad actors from disrupting economic activity."

[Ahead of debate, liberal groups challenge Clinton to list candidates for treasury secretary, attorney general](#)

Anne Gearen, Washington Post, 2/11

Ahead of Thursday's Democratic debate, five liberal groups pushing Wall Street reform challenged candidates Hillary Clinton and Sen. Bernie Sanders to provide a short list of candidates for Cabinet posts and top government jobs involved in policing Wall Street... "Wall Street influence is a major issue in the 2016 election. One of the most consequential things a president can do is appoint people who have a record of challenging Wall Street power," the petition from Rootstrikers, the Progressive Change Campaign Committee, Revolving Door Project, **Americans for Financial Reform** and Public Citizen's Congress Watch reads.

[Why A Wall Streeter Could Be Treasury Secretary](#)

Ben White, Politico, 2/10

Morning Money thinks the odds are heavily against Hillary Clinton, should she win the White House, picking anyone from the financial industry. But not everyone sees it that way. Via a senior financial services exec: "Let's assume Hillary is elected and there is a Democratic Senate and Elizabeth Warren, still tasting blood after Antonio Weiss, is a major consideration. The dilemma Hillary will face is that the economy globally will most likely be troubled and responding to that will have to be a priority, unless she wants to preside over 4 years of stagnation as a legacy.

[What Clinton said in her paid speeches](#)

Ben White, Politico, 2/9

When Hillary Clinton spoke to Goldman Sachs executives and technology titans at a summit in Arizona in October of 2013, she spoke glowingly of the work the bank was doing raising capital and helping create jobs, according to people who saw her remarks. Clinton, who received \$225,000 for her appearance, praised the diversity of Goldman's workforce and the prominent roles played by women at the blue-chip investment bank and the tech firms present at the event. She spent no time criticizing Goldman or Wall Street more broadly for its role in the 2008 financial crisis.

[How Sanders' Bank Plan Would Kill Credit Availability for the Poor](#)

Rob Blackwell, American Banker, 2/9

One idea that has escaped scrutiny to date is an ambitious plan to cap interest rates on credit cards and all consumer loans at 15%. Like many of Sanders' other proposals, it is appealingly simple, casting big banks as the bad guys who "need to stop acting like loan sharks and start acting like responsible lenders." Yet also like many of Sanders' other ideas, it betrays a startling ignorance about how the credit system actually works and what the impact of such a cap would be on low-income consumers and those with poor credit histories. They would almost certainly be denied credit as a result or forced to go to unregulated lenders for help.

ENFORCEMENT

[HSBC Case Tests Transparency of Deferred Prosecution Agreements](#)

Peter Henning, NY Times, 2/8

Abraham Lincoln once said, "Let the people know the facts and the country will be safe." Whether that view applies to disclosure of a corporate monitor's report about [HSBC](#)'s response to money laundering problems that resulted in a deferred prosecution agreement in 2012 is the focus of a dispute between the Justice Department and Judge [John Gleeson](#) of the Federal District Court in Brooklyn. The question is whether the public has a right to see reports compiled by monitors, who were appointed at the government's insistence, about how well companies found to have violated the law are cleaning up their operations.

[Former J.P. Morgan Executive Fined Over \\$1 Million by U.K. Regulator Over 'London Whale' Trades](#)

Jenny Strasburg, Wall St. Journal, 2/9

EXECUTIVE PAY

[The Executive Pay Cap That Backfired](#)

Allan Sloan, ProPublica, 2/12

Bill Clinton, the not-yet-a-household-name Arkansas governor, proposed limiting deductions for what he called "[excessive executive pay](#)" during his first presidential campaign in the early 1990s. The concept had kicked around Washington for several years and was one of the planks that helped him win the Democratic nomination and deny George H.W. Bush a second term. In 1992, Bush had vetoed a budget bill containing a provision to limit how much companies could deduct for high-paid people.

Clinton's victory and a Democratic Congress resulted in a tax law change that limited companies' deductions for executives' compensation to \$1 million per executive per year. That's the amount that Clinton proposed for chief executives in "[Putting People First](#)," a campaign book that he co-authored with Al Gore. The compensation deduction limit, known to tax techies as [Section 162\(m\)](#) of the Internal Revenue Code, was adopted in a 1993 bill that also increased taxes on higher-income Social Security recipients and reduced deductions for business meals.

The legislation, however, was stuffed with loopholes. It covered only companies with publicly traded stock; it applied to only five (and since 2007, four) "named executive officers" who aren't necessarily the highest-paid; and it exempted "performance-based" compensation, including stock options, and huge bonuses based on easily attained goals, allowing unlimited deductions for them.

[BoFA shareholders to vote on deferring executive pay for legal fines](#)

Deon Roberts, Charlotte Observer, 2/10

The Securities and Exchange Commission has cleared the way for Bank of America shareholders to vote on a proposed requirement that its top executives have a portion of their annual pay deferred to cover future legal fines. The regulator this month said it will allow the proposal to be included in the Charlotte bank's proxy statement, a move that lets shareholders vote on it at the company's annual meeting this spring.

HEDGE FUNDS AND PRIVATE EQUITY FUNDS

[Hedge funds keep getting crushed](#)

Kaja Whitehouse, USA Today, 2/8

After a rough 2015, "smart money" hedge fund billionaires are getting crushed again this year as some of their favorite stocks get walloped. The average hedge fund that invests in stocks — as opposed to debt or currencies — dropped 3.66% in the first month of the year, according to data from Hedge Fund Research.

[They hurt economy, promote inequality](#)

Jim Lardner and Michael Kink, Philadelphia Inquirer, 2/10

In theory, hedge funds are a way for wealthy and sophisticated investors to place high-risk bets in search of above-market returns. In practice, the industry has expanded well beyond that role and exploded from about \$200 billion in assets at the turn of the century to nearly \$3 trillion today.

Hedge funds were major traffickers in the toxic securities that brought down the financial system eight years ago. Because many of them now market aggressively to pension funds and institutional investors, ordinary people saving for retirement can lose big when hedge funds fail to generate returns that justify their extravagant charges.

[Alan Grayson's Double Life: Congressman and Hedge Fund Manager](#)

Eric Lipton, NY Times, 2/11

HIGH SPEED TRADING AND FINANCIAL TRANSACTION TAX

[How Bernie Sanders' Wall Street Tax Would Work](#)

Jim Zarroli, NPR, 2/12

Sanders has proposed something he calls a speculation tax, a small levy on every stock, bond or derivative sold in the United States. The revenue would go toward free tuition at public colleges and universities and would also be used to pare down student debt and pay for work-study programs, as well as other programs, Sanders says.

While Hillary Clinton has proposed a similar tax on high-speed trading, Sanders' plan would go much further.

Both candidates say their tax would cut back on computer-generated, high-speed trading, which is often accused of destabilizing the markets and giving an unfair advantage to large firms.

The idea of a tax on financial transactions is anything but new. Over the years, versions of it have been proposed by economists John Maynard Keynes and James Tobin. The United States actually had such a tax until 1966, as do numerous countries today. The European Union is expected to impose one as soon as next year.

[How Sanders would tax Wall Street to pay for college](#)

Kimberly Adams, Marketplace, 2/11

Sanders is proposing something like a sales tax on trades — 50 cents for every \$100 traded. [Robert Pollin](#), an economics professor at the University of Massachusetts Amherst, [co-wrote a paper](#) that lays out what's been termed by others as the "Robin Hood" tax. "The idea that we're going to tax Wall Street trading, and — in Bernie Sanders' proposal, use the money to fund free college education — I think Robin Hood would get behind that," he mused.

INVESTOR PROTECTION AND THE SEC

[White House Eyes Doubling SEC Budget by 2021](#)

Rob Tricchinelli, BNA, 2/9

The Securities and Exchange Commission's budget would increase to \$1.78 billion for fiscal year 2017 under the White House's Feb. 9 budget request, in a step toward the administration's stated goal of doubling the agency's funding by 2021.

The biggest slice of the increase would fund the agency's examination program, which agency officials and Democratic lawmakers have said is understaffed and unable to examine as many investment advisers as it should.

[SEC approves rules for swap dealers on U.S. soil](#)

Reuters, 2/10

The U.S. Securities and Exchange Commission on Wednesday approved rules governing swaps that involve foreign dealers with trading desks on U.S. soil. Under the rules, transactions between non-U.S. companies that use U.S. personnel to arrange, negotiate or execute swaps trades will have to hew to some regulations. They are intended to address trades from U.S.-based desks that are conducted with foreign firms, such as a Cayman Island hedge fund, and then booked overseas with the banks' foreign affiliates. SEC Chair Mary Jo White said the rules would help avoid "a world in which market participants are able to exit our regulatory framework without also exiting the U.S. security-based swap market."

MORTGAGES & HOUSING

[Everything that's wrong with the Super Bowl's worst ad](#)

Emily Badger, Washington Post, 2/8

Buying a home isn't something you're *supposed* to be able to do in 10 minutes. It's a big deal. It has lifelong financial implications. It's not for everybody. As the Consumer Financial Protection Bureau put it on Twitter — [apparently responding to the ad](#) — getting a mortgage is the kind of thing where you should *take your time*.

Much of Twitter [already pointed out during the Super Bowl](#) that the very idea of easy access to mortgages is what fueled the housing bubble and recession in the first place. Quicken Loans isn't offering subprime loans here, a distinction the

company [realized it had to make after the ad's backlash](#). But the sentiment behind the app — homes! homes for everyone! — feels uncomfortably similar to that era's exuberance.

[Morgan Stanley to pay \\$3.2B over contributors to '08 crisis](#)

Michael Virtanen, Washington Post, 2/11

Morgan Stanley will pay \$3.2 billion in a settlement over bank practices that contributed to the 2008 financial crisis, including misrepresentations about the value of mortgage-backed securities, authorities announced Thursday. The nationwide settlement, negotiated by the working group appointed by President Barack Obama in 2012, says the bank acknowledges that it increased the acceptable risk levels for mortgage loans pooled and sold to investors without telling them. Loans with material defects were included, packaged into the securities and sold.

[HSBC reaches \\$601M settlement over charges of 'abusive mortgage practices'](#)

Ben Lane, Housing Wire, 2/5

[Philadelphia City Council Passes Resolution to Preserve Homeownership](#)

CLS Philadelphia, 2/11

RETIREMENT SECURITY & FIDUCIARY DUTY RULE

[Warren and Cummings Slam Wall Street](#)

Ben White, Politico, 2/11

Sen. Elizabeth Warren and Rep. Elijah Cummings on Thursday are sending a [letter](#) to the Department of Labor and OMB on the proposed conflict of interest standard arguing that while financial firms are publicly saying the rule would be disastrous, they are privately “providing very different assessments to their own investors, assuring them that the rule will have no significant impact on their companies.”

More from the letter: “Publicly traded companies are rarely held accountable for the assertions they make when lobbying in Washington. But when communicating with investors, [they] are required by law to provide full and accurate information ... We are writing to provide you with this new information about the financial industry’s more sanguine view of the Conflict of Interest Rule and urge you to quickly finalize this rule.”

[Warren, Cummings: Financial firms exaggerate harm from fiduciary rule](#)

Peter Schroeder, The Hill, 2/11

STUDENT LOANS & FOR-PROFIT EDUCATION

[There's a newish cop on the beat as Department of Education launches enforcement unit](#)

Danielle Douglas-Gabriel, Washington Post, 2/8

The Department of Education launched a new enforcement unit Monday to investigate fraud, waste and abuse within higher education. At the outset, the unit will be staffed with more than 50 people, a mix of existing employees and a few new hires. Attorney Robert Kaye, who spent 14 years at the Federal Trade Commission, has been tapped to run the new outfit and will report to Jim Runcie, chief operating officer of the Office of Federal Student Aid

“The department must move quickly to discharge the debt of all Corinthian students,” said Alexis Goldstein, senior policy analyst at the progressive **Americans for Financial Reform**. “Hundreds of thousands of borrowers from Corinthian remain on the hook for federal student loans. ... despite the fact that the illegal actions identified in department enforcement actions were endemic throughout the entire chain.”

[New Student Aid Enforcement Unit Created to Address Alleged Fraud at For-Profit Colleges](#)

Ashlee Kieler, Consumerist, 2/9

[How Obama let down students at for-profit colleges](#)

Ann Larson, Politico, 2/8

Throughout the primary, the leading candidates for the Democratic Party's nomination have promised to take action on the \$1.3 trillion student debt crisis. These calls have been echoed by President Barack Obama himself, who declared in his final State of the Union address that "no hardworking student should be stuck in the red" and called on Congress to make college more affordable. He's right that student debt is a debilitating burden for millions of students and their families. But Obama also has the unilateral authority to help those students now by canceling the student loans of those who attended predatory for-profit colleges. He just has to use it.

[The For-Profit College Conundrum](#)

Bourree Lam, The Atlantic, 2/11

It's important to remember why for-profit colleges became popular in the first place: In a country and an economy that places a lot of importance on having a degree, they serve students who don't have the chance to attend a more traditional university. Additionally, the outsized cost of for-profit-college tuition seems particularly unfair, since their student pools tend to have lower earning potential to begin with. (Though it's also worth mentioning that there are for-profit colleges out there that produce decent outcomes.) In light of this, it's worth asking whether an emphasis on having a college degree is a good thing for everyone.

[Who Owns the Colleges The Obama Administration Just Shut Down?](#)

David Halperin, Huffington Post, 2/9

Last week the U.S. Department of Education took the rare step of cutting off federal student aid to two for-profit college chains, each accused of deceiving the Department and their own students. The allegations against the schools, while similar to abuses exposed at other schools in the past, are startling. But what's also interesting is the ownership of the two chains: While one chain is a long-time family-owned and run operation, the other has been partly owned since 2004 by a well-connected New York private equity firm, Quad Partners, that includes former New Jersey Governor Thomas H. Kean. Quad's leader, Lincoln Frank, has been an aggressive advocate in Washington, pressing policymakers not to impose new measures to hold for-profit colleges accountable.

[Judge Skeptical of CFPB Reach in For-Profit College Probe](#)

Jimmy Hoover, Law 360, 2/10

A D.C. federal judge on Wednesday appeared concerned that the [Consumer Financial Protection Bureau](#)'s subpoena of a for-profit college accrediting group as part of a probe into the industry's lending practices constitutes a "fishing expedition" and asked why the agency doesn't just target individual schools for consumer violations.

During a hearing, U.S. District Judge Richard J. Leon repeatedly questioned the CFPB on the broad civil investigative demand it served on the Accrediting Council for Independent Colleges and Schools in August.

"You're making kind of a big grab here," Judge Leon said, suggesting that going after the colleges themselves could help "avoid this legal showdown."

SYSTEMIC RISK

[Don't Break Up the Banks. They're Not Our Real Problem.](#)

Steve Eisman, NY Times, 2/6

Breaking up the banks would ignore the significant progress made by regulators to reduce the risks posed by these institutions, and it wouldn't address what I believe is the central problem with the economy today. ... Under the new regulatory regime, the leverage of the large banks has been reduced. While Citigroup's leverage peaked at 33 to one, today it stands at less than 10 to one.

[MetLife Makes Its Case Against 'Too Big to Fail' Label](#)

Victoria Finkle, NY Times, 2/10

The "too big to fail" label is finally having its day in court. A federal judge raised tough questions on Wednesday over regulators' decision to designate the insurer MetLife as "systemically important" to the financial system. Judge Rosemary Collyer focused on how a body of regulators, known as the Financial Stability Oversight Council, made its

decisions about companies that could harm the economy, as well as whether regulators followed their own guidelines in the MetLife case.

[The big banks will break themselves up before Bernie Sanders ever gets to it](#)

Rick Newman, Yahoo News, 2/9

Bankers are still among America's richest citizens, but the companies they lead have become underperforming laggards, with investors increasing the pressure to amp up profits. Some of the banks' woes come from turbulent financial markets and super-low interest rates. Many big banks have also taken a hit from billions paid in fines for bad practices relating to the 2008 meltdown. Even without those factors, however, new rules passed after the financial crisis are saddling the banks with onerous new compliance costs, while limiting the profits they can make on risky trades. And that may be the thing that forces banks to break themselves up, to satisfy shareholders demanding better returns.

[To break up big banks or not?](#)

Morning Joe, MSNBC, 2/12

[Big Banks Near Buy Levels, Thanks to Dodd-Frank](#)

Dana Blankenhorn, Seeking Alpha, 2/11

Take a look at Bank of America for example. They have \$2.144 trillion in assets as of December. But their leverage is less than it was in 2007, they have more cash to cover losses than before, and they have been passing the Fed's stress tests, which means they're ready for just about anything the market can throw at them.

Compare that with some of the big European banks, like Deutsche Bank, Credit Suisse or Societe Generale. Those stocks have all been suffering this year, in some cases better than their New York counterparts, in some cases worse. But there's no floor underneath them. Their books are black boxes, their ability to withstand losses is untested. Worse, since their collateral is now in securities that can carry a negative interest rate, their own credit-worthiness is being watered down.

[Banks explore spin-offs for cleared swaps desks](#)

Peter Madigan, Risk.net, 2/8

Large derivatives dealers in the US and Europe are exploring the spin-off of their cleared swaps desks, in a move that could slash the capital they consume – by more than a half, according to one estimate – and help them go toe-to-toe with aggressive new entrants such as Citadel Securities.

Lawyers are now quietly helping the banks sketch out the terms of a divestment, answering questions about how big a stake the current owners could retain – US law sets the maximum at 24.9% – and how the relationship between the two entities would need to be structured to address regulatory concerns about control. One lawyer party to the discussions says these escape plans are taking shape and the first deals could be done in 2017. Private equity firms are considered to be the most likely investors.

WHISTLEBLOWER PROTECTION

[Wall St. Whistle-Blowers, Often Scorned, Get New Support](#)

William Cohen, NY Times, 2/11

Becoming a whistle-blower by reporting wrongdoing on Wall Street or in a federal agency that regulates Wall Street takes lots of guts. And a strong argument can be made that whistle-blowers should be celebrated and rewarded for their courage. Incredibly, though, all too often the opposite occurs, and Wall Street whistle-blowers are shunned, ostracized and ignored. Often, they are fired from their jobs and blackballed from the industry.

OTHER TOPICS

[Banks face 'serious questions' over FIFA scandal, UK lawmakers told](#)

Martin Coyle, mLex Market Insight, 2/10

The scandal engulfing world soccer body FIFA raises “serious questions” about the part banks played in facilitating corrupt payments, UK lawmakers have heard. Banks played a “crucial role” in handling money that passed between FIFA members, Stuart McWilliam of anticorruption group Global Witness told a parliamentary committee hearing yesterday evening.

“It would have been almost impossible for bribery to take place without the banking system,” the senior campaigner said. McWilliam questioned whether banks had done enough to check whether FIFA-related payments were legitimate. A US Department of Justice indictment published last May alleged that FIFA officials and other sports officials used accounts at major global banks to make graft payments.