THIS WEEK IN WALL STREET REFORM

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Important 2011 Year-End Articles

Bloomberg editorial - Don't Give Up on the Sensible Ideas of the Dodd-Frank Act: View
Bloomberg Editorial
December 27, 2011

"More than three years after the U.S. financial system went into free fall, the Dodd-Frank Act, Congress's primary effort to prevent a repeat episode, has become something of a bete noire. Executives at big banks say the law will bog them down in costly regulations. Republicans want to repeal it. Presidential hopeful Newt Gingrich even suggests jailing its authors, Representative Barney Frank and former Senator Chris Dodd. The vilification of Dodd-Frank is odd, given that most of the law has yet to take effect. The law firm Davis Polk & Wardwell LLP estimates that as of Dec. 1, only 74 of the 400 required rules had been finalized, and 154 had missed the law's deadlines. Most people, quite understandably, haven't had the time or patience to wade through the law's 848 pages. As a service to them, we did so. What we found, admittedly cloaked in eye-glazing language, was an elegant core of sensible ideas. Consider it a fail-safe system with three levels of containment." Click here for more.

NYT editorial - Wall Street Meets Reality
NY Editorial
December 27, 2011

"Wall Street reported nearly $3 billion in losses in the third quarter of 2011, reducing profits through September to $9.6 billion, which was well below forecasts, according to a recent analysis by the New York State comptroller. The comptroller estimates that Wall Street banks and smaller brokerages may cut some 10,000 jobs in New York City by the end of 2012. The weak economy, volatile markets, toxic mortgages and potential exposure to the euro zone are undeniably the biggest drags on banks' profits. But bankers, their lobbyists, and the politicians who do their bidding are eager to heap outsize blame on new national and international bank rules, including trading curbs, consumer protections and higher capital requirements." Click here for more.

Whistleblower documents illuminate case against BNY Mellon
Carrick Mollenkamp (Reuters)
December 28, 2011

"Confidential whistleblower documents that helped spark a massive state and federal investigation into how Bank of New York Mellon Corp charged pension funds for currency exchange, provide a rare window into how a bank insider aided a lawsuit against the bank. The information provided by whistleblower Grant Wilson, who worked at BNY Mellon, included a detailed analysis of how the bank allegedly provided 'fictitious' foreign-currency costs for pension funds. The analysis included a step-by-step guide to how currencies were traded and internal profits generated by the bank, according to documents seen by Reuters. A memo detailing fellow employees also was provided. Aided by Wilson's information, multiple states, including Virginia, Florida and New York, have sued BNY Mellon, alleging that the bank improperly charged state and local pension funds for foreign exchange. The Department of Justice also has sued the bank." Click here for more.

NYT Editorial - The Middle-Class Agenda
NYT Editorial
December 19, 2011

*"Earlier this month, President Obama delivered his first unabashed 2012 campaign speech. Unlike his opponents, Mr. Obama acknowledged the ravages of income equality, the hollowing out of the American middle class. There is no hyperbole in the urgency he conveyed about 'a make-or-break moment for the middle class, and for all those who are fighting to get into the middle class.' …S**TOPPING FORECLOSURES** In his Kansas speech, Mr. Obama said banks 'should be working to keep responsible homeowners in their homes.' That's too weak. The banks have never made an all-out effort to help homeowners and unless compelled to do so, they never will, because, in many cases, they can make more by foreclosing rather than by modifying troubled loans. Federal agencies can keep working with some state attorneys general and try to settle with banks over foreclosure abuses in exchange for a commitment from them to modify some $20 billion worth of troubled loans, or they can conduct a thorough federal investigation into the banks' conduct during the mortgage bubble, looking for a far bigger settlement. The market is beset with $700 billion of*

negative equity; potential bank abuses are unexplored; the public is demanding accountability. Mr. Obama should opt for a thorough federal inquiry. In the meantime, an antiforeclosure plan that is up to the scale of the problem would include unrelenting political pressure for principal write-downs of underwater loans, expanded refinancings for borrowers in high-rate loans, and forbearance for unemployed homeowners. ***REGULATING THE BANKS*** *Mr. Obama said banks are fighting the Dodd-Frank reform 'every inch of the way.' The question is what he will do to fight back. A good start would be for him to tell the American public whether the law is capable of performing as intended. Is he confident that a major bank on the verge of failure could be successfully dismantled? Is he sure that risky bank trading will be sufficiently curtailed? If he is not confident that the law can work as intended, he must ensure better implementation or call for a revamp of the statute itself. He can also personally advance specific Dodd-Frank provisions. Republicans are intent on destroying the new Consumer Financial Protection Bureau; Mr. Obama should try to recess appoint his nominee to lead the bureau, Richard Cordray, whom Republicans recently filibustered. Mr. Obama must make clear that he supports a strong Dodd-Frank disclosure rule on the ratio of the pay of chief executives to that of rank-and-file employees. Such disclosure is crucial to changing the corporate norms that have allowed for unjustifiably vast pay discrepancies. …More jobs. Fewer foreclosures. Less financial risk. Progressive taxation. Those policies will give the middle class a fighting chance. But the list is not exhaustive. The pillars of a healthy middle class also include public education, Social Security, unions, child care, affirmative action and, not least, campaign finance reform, since inequality is reinforced by the political power of the wealthy." Click here for more.*

CFPB and Consumer Issues

Richard Cordray Appointment

Obama defies Republicans with consumer agency pick
Dave Clarke and Matt Spetalnick (Reuters)
January 4, 2012

"A defiant President Barack Obama said he will bypass Congress and install Richard Cordray as head of the country's new consumer financial watchdog, escalating an election-year fight with Republicans, who questioned the legality of the move. The recess appointment, which Obama announced in a campaign-style rally at a high school gym in a Cleveland suburb, is being cheered by Democrats and liberal advocacy groups who want tougher oversight of Wall Street and other financial players." Click here for more.

Click here to view the President's speech.

Cordray - Standing Up for Consumers
Richard Cordray (Huffington Post)
January 4, 2012

"Today, I was appointed by President Obama to serve as the first Director of the Consumer Financial Protection Bureau. I am honored by this opportunity to continue my work on behalf of consumers. And I am energized by the responsibilities and challenges facing the Bureau. The importance of this day has less to do with me personally and much more to do with you -- and the millions of individuals and families across the country who access consumer financial markets every day to participate in our economy and to pursue their dreams and aspirations. That's because now, with a Director, the CFPB can exercise its full authorities -- with respect to both banks and nonbanks -- to help those markets operate fairly, transparently, and competitively." Click here for more.

Click here to view AFR's press statement.

Excerpt:

> *"Consumers won today when President Obama defied Wall Street interests to make a recess appointment of Richard Cordray to head the Consumer Financial Protection Bureau. President Obama stood with consumers and families in making this crucial decision."*

Press statements – National Consumer Law Center, Public Citizen, The Institute for College Access & Success, The Leadership Conference on Civil and Human Rights, Consumer Federation of America, US PIRG, Center for Responsible Lending, National Fair Housing Alliance, National Association of Consumer

Advocates, National People's Action, Consumers Union, Dēmos, ESOP, Consumer Action, and National Council of La Raza.

Cordray's Ascent Expands U.S. Consumer Bureau's Reach to Non-Bank Firms
Carter Dougherty (Bloomberg)
January 5, 2012

*"President Barack Obama's decision to install Richard Cordray as director of the Consumer Financial Protection Bureau expands the agency's reach into non-bank firms blamed for helping to spark the 2008 credit crisis. The consumer bureau, which started work on July 21, needed to have a director to carry out the full authority bestowed by the Dodd-Frank Act. Obama's recess appointment of Cordray, the former Ohio attorney general, activates responsibilities for supervising and regulating companies such as loan originators and credit bureaus as well as traditional lenders. 'With a director finally in place and no question about its powers, the Consumer Financial Protection Bureau can start scrutinizing unfair practices by debt collectors, mortgage brokers, credit reporting agencies, and predatory payday lenders,' **Lauren Saunders**, managing attorney at the **National Consumer Law Center**, said in an e-mailed statement." Click here for more.*

ABC World News - How Obama's New Pick Affects Consumers
ABC World News with Diane Sawyer
January 4, 2012

"The president installs Richard Cordray as head of new consumer bureau." Click here to view the segment, featuring Pam Banks from Consumers Union as well as the Easons, identified by ESOP, who met with the President yesterday.

Obama's consumer bureau appointment raises political, legal stakes
Charles S. Clark (Government Executive)
January 4, 2012

*"President Obama's move Wednesday to use a recess appointment to name former Ohio Attorney General Richard Cordray director of the six-month-old Consumer Financial Protection Bureau was greeted as 'bold' by consumer activists, but spurned as possibly illegal by Republican lawmakers who have spent months blocking any nominee. At a campaign-style speech on the economy at a high school in Shaker Heights, Ohio, Obama named Cordray -- who had been serving as CFPB's enforcement chief -- as 'America's consumer watchdog,' a move that 'brings us closer to the economy we need, an economy where everyone plays by the rules,' he said. …For many in the financial industry, much is riding on Republican efforts to force a reopening of the 2010 Dodd-Frank Financial Reform Law with the goal of giving Congress greater oversight and dispersing power at CFBP among members of a board rather than bestowing it all on a director. …But to leaders of **Americans for Financial Reform**, a coalition of 250 national consumer, labor, civil rights and senior citizens advocacy groups, the arrival of a leader is vital because CFPB is the 'linchpin of the entire Dodd-Frank law,' said **Marcus Stanley**, AFR policy director. 'Loans to the consumer is where the rubber meets the road for financial products related to financial crash of 2007 and 2008,' he said during a conference call with reporters before Obama's announcement. **Ed Mierzwinski**, director of the consumer program at **U.S. PIRG**, praised Obama's 'bold and independent decision' that rejected the efforts of Wall Street interest groups to 'defang or defund the bureau.' **Travis Plunkett**, legislative director of the **Consumer Federation of America**, said that because of this 'culmination of a long fight, the bureau no longer has to monitor financial abuses with one hand tied behind its back.' He said he expected concrete results in 2012 from CFBP's efforts to research and publicize abuses of consumers, particularly military families, by predatory mortgage lenders and payday lenders and such issues as prepaid credit cards. **David Arkush**, director of **Public Citizen's Congress watch division**, argued Cordray's appointment is legal. 'The Senate is effectively on a five-week recess,' he said. The pro forma sessions the chamber has been holding every three days "do not bar the president from making a recess appointment. 'Whether the current recess is viewed as five weeks or three days long, it is long enough,' he said, adding that Harry Truman and Theodore Roosevelt both made appointments during recesses of three or fewer days." Click here for more.*

Obama Uses Recess Appointment to Name Cordray to Head CFPB
Melanie Waddell (AdvisorOne)
January 4, 2012

*"President Barack Obama on Wednesday named Richard Cordray through a recess appointment as the director of the Consumer Financial Protection Bureau, a move that Senate Republicans cried is unconstitutional. …**Lisa Donner**, executive director of **Americans for Financial Reform**, said in a statement after Obama's recess appointment that 'consumers won today when President Obama defied Wall Street interests to make a recess appointment' of Cordray. Obama, she said, 'stood with consumers and families in making this crucial decision.' Now that the CFPB has a director, **Donner** went on to say, the CFPB 'finally has its full authority to protect consumers everywhere in the financial marketplace, from a Wall Street bank to a payday lender or from a mortgage company to a credit bureau or anywhere else.'" Click here for more.*

Obama names watchdog agency head via recess appointment
Connie Prater (Creditcard.com)
January 4, 2012

*"Bypassing the U.S. Senate and prompting howls of rage from Republicans, President Obama used a recess appointment Wednesday to name former Ohio Attorney General Richard Cordray to head the federal consumer financial protection watchdog agency. **Consumer groups applaud** Just as quickly, consumer groups applauded. 'Until now, the CFPB has been fighting mounting consumer financial abuses with one arm tied behind its back,' **Travis Plunkett**, legislative director of the **Consumer Federation of America**, said in a statement. He noted that 16 months have passed since Congress created the CFPB as part of the massive Wall Street reform law. 'As Cordray takes over the CFPB, the list of questionable and predatory practices that consumers are coping [with] is growing, and includes: predatory practices targeted at military service members; mortgage foreclosure and servicing abuses; unfair and high-cost bank overdraft loans; plentiful fees and few protections for prepaid cards: internet payday lending and bank payday lending.' 'With a director in place, the Consumer Financial Protection Bureau (CFPB) can finally provide fair and equal oversight to the marketplace,' said **Linda Sherry,** director of national priorities for **Consumer Action**. 'The CFPB can now fully fight for and protect consumers on the financial front. Consumers have been waiting far too long for this financial watchdog to have the authority to really sink its teeth into creating a better financial marketplace for all people -- not just the 1 percent.' 'President Obama stood with consumers and families in making this crucial decision,' **Lisa Donner**, executive director of **Americans for Financial Reform**, said in a statement. 'Now that the CFPB has a director, it finally has its full authority to protect consumers everywhere in the financial marketplace, from a Wall Street bank to a payday lender or from a mortgage company to a credit bureau or anywhere else.'" Click here for more.*

A telling sign: Scott Brown comes out in support of Cordray recess appointment
Greg Sargent (Washington Post)
January 4, 2012

"Here's a pretty clear sign of which way the politics are moving in the fight over Obama's decision to employ a recess appointment to install Richard Cordray as head of the Consumer Financial Protection Bureau. Senator Scott Brown — who's facing a stiff populist challenge from Elizabeth Warren, the creator of the agency — has now come out in support of the move. His statement, sent over by his office: 'I support President Obama's appointment today of Richard Cordray to head the CFPB. I believe he is the right person to lead the agency and help protect consumers from fraud and scams. While I would have strongly preferred that it go through the normal confirmation process, unfortunately the system is completely broken. If we're going to make progress as a nation, both parties in Washington need to work together to end the procedural gridlock and hyper-partisanship.' Click here for more.

GOP Has Few Options to Retaliate on WH's Richard Cordray Decision
Humberto Sanchez (Roll Call – subscription required)
January 4, 2012

"Aside from holding up legislation and nominations, Senate Republicans likely have few other options to undo or retaliate against President Barack Obama's recess appointment of Richard Cordray to head the Consumer Financial Protection Bureau, Senate GOP aides said today. 'We'll see what shakes out when [Members] return,' an aide said. Ostensibly lawmakers could look to slow progress on White House or other Democratic initiatives, though no members, to date, have announced that they plan to do so. 'It certainly

doesn't help relations,' another GOP aide said. Republicans also said they expect that any legal challenge to Cordray's installation would likely come from entities regulated by the CFPB, rather than from GOP Members. However, they said nothing has been ruled out. …A Senate Democratic aide said that Cordray's nomination and the level of Republican obstruction warranted the challenge. 'This is a situation where Republicans have said on the record that they believe Mr. Cordray is qualified, and they're blocking him just to extract concessions that will benefit their friends on Wall Street,' the aide said. Sarah Binder, a historian of Congress at George Washington University and a senior fellow at the Brookings Institution, said in a blog post that she thinks it is probably a legal appointment." [Click here for more.]

White House Hits "Trifecta on CFPB"
Ben White (Politico's Morning Money)
January 5, 2012

"The White House got widespread praise on the left for the Richard Cordray non-recess recess appointment as well as the expected outrage and legal threats from Republicans and the banking industry. But even some senior banking executives acknowledged that the move, while infuriating, fit perfectly into the new frame the White House has hung on 2012. One top lobbyist told M.M.: 'They love the fight with the trifecta: The GOP, Congress and Wall Street. All in one sound byte.' As for the lawsuits, they will probably wait until the CFPB actually issues some kind of rule or enforcement action and the party it impacts challenges the agency's right to do it. Will such a lawsuit succeed? Consensus seems to be ... probably not. And from a political perspective such a lawsuit won't get decided for quite a while and won't really matter. In the meantime, Cordray has promised to quickly ramp up the agency's supervision of non-banks and the White House gets the story line it wants. …A number of Democrats and Republicans asked M.M. yesterday why, if Obama was willing to take this bold step, he wouldn't do it for Elizabeth Warren, the darling of the left and intellectual architect of the CFPB. Some suggested the White House found Warren difficult and wanted someone else. M.M. knows Warren had a rocky relationship with some inside Treasury. But he has no reason to think the West Wing did not like her. And the more obvious answer is that the super-aggressive stance towards Congress is fairly new. And the White House sensibly preferred that Warren take on Sen. Scott Brown (R-Mass.), a top 2012 target (who came out in FAVOR of the Cordray move.) …From a GOP attorney: 'In the category of things that make you go hmm: When the President wants legal authority he typically goes to the Office of Legal Counsel (OLC) at the Justice Department. But when Jay Carney was pressed today on the legal authority for its position that the Senate is in recess, he did not cite OLC, but rather 'the President's counsel,' and two lawyers from the Bush Administration who are in private practice. Does this mean OLC would not give the White House the opinion it wanted, or that the DOJ was embarrassed that the President's position was at odds with the positions the OLC has taken publicly in the past?'"

W.H. sees win in Cordray move
Carrie Budoff Brown and Glenn Thrush (Politico)
January 4, 2012

"Three years after pledging a new era of post-partisan cooperation, President Barack Obama on Wednesday declared war with congressional Republicans by unilaterally installing his nominee to head a new consumer protection bureau. And the White House sees only political gold in doing so. Obama inflamed Washington Republicans by using a rarely invoked legal argument to appoint former Ohio Attorney General Richard Cordray — a move ensuring that an irate Congress may truly do nothing this year except extend the payroll tax cut. But Obama had abandoned hopes of a real working relationship with Republicans long before Wednesday. So instead, he tried to reap the benefit once again of playing an outside game, aligning himself with voters against a Congress that they hold in historically low regard on an issue that crosses party lines. It was the latest milestone in Obama's journey from bipartisan conciliator to partisan agitator, perhaps the starkest break to date from his campaign promises to change the tone in Washington." [Click here for more.]

Richard Cordray says recess appointment is legitimate
Joseph Williams (Politico)
January 5, 2012

"A day after Richard Cordray's bombshell appointment, he flatly asserted his authority to lead the nation's new consumer watchdog agency even as the political fallout intensified. Cordray, the director of the Consumer Financial Protection Bureau, declared Thursday to a packed house at the Brookings Institution that his recess appointment by President Barack Obama — a move that outraged Republicans — is legitimate under the law and would withstand an inevitable challenge. But he also underscored his reputation

as a bipartisan bridge-builder, promised he would work with the GOP and emphasized that all share the same goal: serving the American people." Click here for more.

Click here to view the CFPB's press release announcing Raj Date as Deputy Director of the CFPB and Kent Markus as Assistant Director of the Office of Enforcement.

Pre-Cordray Appointment

Advocates press for recess appointment of consumer bureau chief by Obama
Peter Schroeder (The Hill)
December 25, 2011

*"Backers of the Consumer Financial Protection Bureau (CFPB) are urging the White House to use whatever means necessary to get a director in place, and argue that "extreme" Republican opposition has made such moves not only acceptable, but necessary. A filibuster-proof bloc of GOP senators promised before a director was even nominated they would block any selection unless changes were made to the new agency's structure. And they followed through with that promise earlier this month, halting the president's nominee, Richard Cordray. With Cordray's pick stalled, rumblings of a recess appointment are picking up steam as a way to circumvent the Senate and get Cordray in place. Senate Republican Leader Mitch McConnell (R-Ky.) sought to derail that train of thought on the Senate's final day of work, blocking a number of other nominees until the White House assured him it would 'respect practice and precedent on recess appointments.' 'I think the Republicans have made that necessary,' said Rep. Barney Frank (D-Mass.). 'For them to complain about the president doing everything he can to make a recess appointment is like someone setting a fire in a crowded room and then objecting when people use the fire door.' "If a recess appointment is what it takes…so be it. They've brought that on themselves," added **Travis Plunkett**, legislative director for the **Consumer Federation of America**. …'It might be necessary to take unprecedented steps even though nobody, including me, wanted them,' said **Plunkett**. 'I don't want to see the Senate at war over this, but I'm not sure there are that many choices left.'" Click here for more.*

Community Action Committee of the Lehigh Valley: Cadre of senators seeks to thwart Wall Street financial reforms
Alan Jennings (Express-Times – PA)
December 28, 2011

"We Americans have such short memories. Our economy is in the tank because of predatory lending. Unregulated mortgage finance companies employing brokers all too anxious to defraud their customers, with capital from Wall Street, buoyed by rating agencies such as Standard & Poor's, with co-conspirators such as Alan Greenspan in the bank regulatory agencies turning a blind eye and deaf ear, and they got away with it. Those of us who jumped up and down, waved our arms, shouted from the rooftops about the outrageously usurious financial products being dreamed up by ever more brazen mortgage finance companies are just disgusted. Our consciences are clean because we were the canaries in the coal mine. …While you and I are helpless to protect what little power we have, Wall Street's scammers can buy more and more members of Congress. And these members are worth every nickel, because now they are blocking the Consumer Finance Protection Bureau from doing its job." Click here for more.

Consumer Issues

AFR, Appleseed, and the National Consumer Law Center urge remittance protections
Click here to read the letter urging that the Final Regulations on remittance protections issued by the CFPB are in full compliance with the explicit requirements listed in the law.

Consumer Bureau Starts Oversight of Nonbank Firms, Cordray Says
Carter Dougherty (Bloomberg)
January 5, 2012

"The U.S. Consumer Financial Protection Bureau will begin supervision of mortgage servicers, payday lenders and student-loan companies in an immediate expansion of its authority under the Dodd-Frank Act, agency Director Richard Cordray said in a Washington speech. The agency will begin dealing face-to-face with nonbank firms 'that often compete with banks but have largely escaped meaningful federal oversight,'

Cordray said today at the Brookings Institution in Washington during his first speech since President Barack Obama used a recess appointment to give him the bureau's top job." [Click here for more.]

Click here to view the CFPB's press release.

Debts Go Bad, Then It Gets Worse
Jessica Silver-Greenberg (WSJ – subscription required)
December 23, 2011

"A personal bankruptcy is supposed to cut borrowers loose from lenders and debt collectors, but Capital One Financial Corp.—one of the nation's largest credit-card issuers—sometimes doesn't want to let go. Leila Torres, a 35-year-old waitress who lives in Hawthorne, N.J., concluded her Chapter 7 bankruptcy case in 2009. She was stunned when she got a letter notifying her that Capital One was suing her for $4,266 in credit-card debt. 'I was trying to move on, and this whole thing has sucked me back into a nightmare,' she says. Capital One dropped the suit after Ms. Torres accused the company in a separate lawsuit filed in September of flouting bankruptcy law. Capital One asked a bankruptcy judge to throw out her suit, but he refused." Click here for more.

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Shadow Markets and Systemic Risk

AFR's regulatory comment letter to the Financial Stability Oversight Council (FSOC)
The letter supports broad authorization for designation of nonbank financial companies that could pose a threat to the financial system. Click here to view the letter.

For Wall Street Overseer, Progress Comes at a Crawl
William Alden (DealBook/NYT)
January 3, 2012

"Leading a new federal agency intended to help prevent another financial crisis may seem like a dream job for most economic gurus, but the government made a nomination only last month after a painfully slow search process. The Treasury Department first considered at least three other candidates during the 17-month hunt for a director of the new agency, the Office of Financial Research. But they all rebuffed the role, in part over fears of the contentious Congressional approval process. The White House finally unveiled the in-house nominee — Richard Berner, a counselor to the Treasury secretary who was formerly the chief United States economist for Morgan Stanley — in a little-noticed news release late on a Friday in December. 'I was a little frustrated' by the process, said Lewis S. Alexander, a former counselor to the Treasury secretary, who helped lead the search. 'This is a harder job to fill than I would have thought.' Establishing the Office of Financial Research has become another example of the struggle to put the Dodd-Frank regulatory overhaul into effect." Click here for more.

Regulators inching forward on Dodd-Frank rules
Reuters
January 3, 2012

"U.S. regulators have only met roughly a quarter of pre-2012 deadlines included in the controversial Dodd-Frank financial reform law, according to a report released on Tuesday. A year and a half after Congress passed Dodd-Frank, regulators are struggling to keep pace with deadlines for hundreds of rules they are tasked with writing to help stabilize markets after the 2007-2009 financial crisis. According to the report by the law firm Davis Polk, a total of 200 deadlines have passed as of the end of 2011, and regulators missed 149 of them. There are 400 total rulemaking requirements in Dodd-Frank, the report says. They include regulations to oversee the formerly opaque $700 trillion global derivatives market, and tighten banking rules, among other things." Click here for more.

Fed proposes tougher rules for big banks
Ronald D. Orol (MarketWatch)
December 20, 2011

"The Federal Reserve on Tuesday released a package of post-crisis proposals detailing new tougher rules for big banks, including a measure that would limit how much a large financial institution can lend to other big banks. The regulations are based on the Dodd-Frank Act, legislation approved in the wake of the financial crisis of 2008. The rules apply to banks with $50 billion and more in assets, but there are even more stringent restrictions on ties among the biggest banks such as Goldman Sachs Group Inc. GS +0.92% that have more than $500 billion in assets. But the central bank did not provide details about how it would implement aspects of a global agreement on bank capital, known as Basel III, named after the city in Switzerland where past agreements have been formed. Instead, the Fed said it would issue a follow-up proposal on the subject." Click here for more.

Click here to view the Federal Reserve Board's official press statement.

SEC Doubles Down On Its Efforts To Find Hedge Fund Fraud
Alexander Eichler (The Huffington Post)
December 28, 1011

"Memo to hedge fund managers: It's a bad time to try to overachieve. The Securities and Exchange Commission is cracking down on hedge fund fraud, and the first places they're looking are the firms that seem to be doing a little too well. According to a report in The Wall Street Journal, the SEC has devised a method of sorting data that highlights hedge funds whose balance sheets never seem to suffer, no matter how rocky the market gets. The WSJ *notes that the agency is trying to spot the next Bernie Madoff before he or she can defraud investors of billions of dollars, the way Madoff did with his Ponzi scheme. Already, the* WSJ *says, the SEC has initiated four civil-fraud lawsuits based on their data review system." Click here for more.*

Lenders Losing Battle of 'Basel'
Victoria McGrane and Dan Fitzpatrick (WSJ – subscription required)
December 19, 2011

"The Federal Reserve is expected to embrace a new global framework that requires giant financial institutions to hold extra capital, said people familiar with the situation. The central bank's decision to accept the rules laid out by regulators in Basel, Switzerland, as part of a draft proposal that could come before Christmas is a defeat for giant U.S. banks that argued the guidelines needn't be so strict. They contended the Basel approach could prompt them to reduce lending and hurt the economy." Click here for more.

POGO - House Panel Passes Grimm Legislation Gutting Financial Whistleblower Programs
Michael Smallberg (POGO)
December 15, 2011

"A House panel voted along party lines yesterday to approve legislation that would eviscerate the whistleblower incentive and protection programs at the Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC). Congress created these new programs as part of the Dodd-Frank financial reform legislation, recognizing that whistleblowers play a vital role in uncovering corporate fraud but are often reluctant to come forward due to fears of retaliation. Despite coming under significant pressure from industry groups seeking to gut these measures, the SEC and CFTC approved regulations to provide significant incentives and protections to whistleblowers. …Earlier this week, POGO and its allies wrote to the Subcommittee expressing our strong opposition to Rep. Grimm's legislation. The letter was entered into the record at yesterday's mark-up. We argued that H.R. 2483 is an 'extreme approach that would silence would-be whistleblowers, endanger critical inside informants, undermine investigations, hamstring enforcement at the SEC and CFTC, and provide lawbreaking financial firms with an escape hatch from accountability.'" Click here for more.

Obama to Nominate Two for Vacancies on Fed Board
Binyamin Appelbaum (NYT)
December 27, 2011

"President Obama said Tuesday that he would nominate Jeremy C. Stein, a Harvard economist, and Jerome H. Powell, a former private equity executive, to fill the two vacant seats on the Federal Reserve's board. The pairing of Professor Stein, a Democrat, and Mr. Powell, a Republican, is a carefully weighted gesture, a pragmatic attempt to satisfy Senate Republicans who have repeatedly refused to allow votes on nominees for regulatory positions." Click here for more.

Commodity Speculation

UN approves stance against financial speculation
Dominican Today
December 23, 2011

"The United Nations General Assembly Thursday afternoon approved, by consensus, the project of resolution submitted by Dominican Republic, based on president Leonel Fernandez's initiative to deal with the financial speculation in the crude oil and foods futures market. After two-and-a-half months of intense work, the Dominican delegation to the UN, the General Assembly acknowledged 'the initiative by Leonel Fernandez Reyna, president of the Dominican Republic, on the promotion of an international consensus which allows reducing the excessive volatility of the prices and speculation in the staples markets.'" Click here for more.

Volcker Rule

Agencies Extend Comment Period on Volcker Rule Proposal
SEC press release
December 23, 2011

"Four federal agencies today extended until February 13, 2012, the comment period on a proposal to implement the so-called Volcker Rule of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Dodd-Frank Act requires regulators to implement certain prohibitions and restrictions on the ability of a banking entity and nonbank financial company to engage in proprietary trading and have certain interests in, or relationships with, a hedge fund or private equity fund. The comment period was extended as part of a coordinated interagency effort to allow interested persons more time to analyze the issues and prepare their comments. Originally, comments were due by January 13, 2012. The proposal was issued by the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Securities and Exchange Commission." Click here for more.

Regulators Should Delay Volcker Rule, House Lawmakers Say
Phil Mattingly (Bloomberg)
December 22, 2011

"Representative Randy Neugebauer, a Texas Republican and subcommittee chairman on the Financial Services Committee, led 117 Republicans and four Democrats who requested an extension of the comment period for the rule, which was proposed in October by the Federal Reserve and three other regulatory agencies. The regulators are taking public comments until Jan. 13." Click here for more.

Gensler Says CFTC Plans to Propose Volcker Rule in January
Jesse Hamilton (Bloomberg)
December 20, 2011

"U.S. Commodity Futures Trading Commission Chairman Gary Gensler said his agency may vote to propose the so-called Volcker Rule in January, following in the footsteps of four other federal agencies. The CFTC is the last of five U.S. financial regulators to propose the rule, which would curtail banks' proprietary trading and limit their relationships with hedge funds. The rule, named for former Federal Reserve Chairman Paul Volcker, is required by the 2010 Dodd-Frank Act. 'I would be hopeful that we would address ourselves to a proposal -- possibly even in the first meeting of January -- of the Volcker Rule,' Gensler told reporters at a meeting today in Washington. The next CFTC meeting is tentatively scheduled for Jan. 11, according to CFTC spokesman Steve Adamske." Click here for more.

Rules of the Game: Volcker Rule Prompts Lobbying
Eliza Newlin Carney (Roll Call)
December 19, 2011

*"Buoyed by the Occupy Wall Street movement, average citizens have made an unusual push to contact federal regulators engaged in the arcane process of writing new rules to regulate big banks. But they may be drowned out by financial industry players who are spending record sums on lobbying. … Public interest groups such as **Americans for Financial Reform** and **Public Citizen** — and more recently activists from Occupy the SEC, an offshoot of the OWS movement — have been ginning up letters to federal agencies about the Volcker rule. … The draft rule is complex because financial services industry lobbyists have badgered regulators to write in loopholes, countered **Dennis Kelleher**, president and CEO of **Better Markets**, a public interest nonprofit focused on the financial services industry. 'I think the regulators did a pretty good job of proposing a rule that gets close to reflecting the intent of the law,' Kelleher said. 'But it definitely needs improvement. And frankly, it reflects the intensive lobbying campaign of the industry to try to gut it, and water it down, and create exceptions.' … 'The forces arrayed on the sides of this battle are incredibly uneven, as they were also during the efforts to pass Dodd-Frank,' said **Lisa Donner**, executive director of **Americans For Financial Reform**. But she added that the Dodd-Frank fight yielded key reforms, even against long odds: 'The fight's not done.'" Click here for more.*

Volcker conundrums fuel confusion over rules
Tom Braithwaite (FT – registration required)
December 19, 2011

"Proprietary trading is not like pornography. Participants in both have a good chance of losing their shirts but there the similarity ends. Paul Volcker, who inspired a forthcoming ban on banks trading for their own account, thinks differently. The former Federal Reserve chairman has repeatedly told Congress that identifying prop trading can be as simple as the US Supreme Court judge's famous line on porn: 'I know it when I see it.'" Click here for more.

Better Markets push back- More Unsupported Arguments Against Stopping Banks' Risky Trading
Better Markets
December 20, 2011

"A column in today's Financial Times did little more than repeat the banking industry's arguments against the Volcker Rule's ban on proprietary trading. Nothing new was said in the column that hasn't been said repeatedly before by the industry and, per usual, the only arguments against the rule are unsupported anonymous bank assertions about dire consequences. We have detailed the total lack of merit of these arguments recently in a letter sent to all the regulators, which can be read here. Below is the letter we sent to the editor of FT addressing the deficiencies in today's column: Sir, The column 'Volcker Conundrums Fuel Confusion Over Rule' (Tom Braithwaithe 12-19-11) did an excellent job of presenting the banking industry's criticism of the Volcker Rule. The claim is that the Volcker Rule ban on proprietary trading will interfere with their "market making" ability for clients and that market liquidity will suffer. Legitimate market making will be discouraged, banks say, because the metrics that regulators propose for identifying prop trading will produce false positives, and are so complex that they cannot be understood." Click here for more.

Canada Cites NAFTA Breach if Volcker Adopted
Dan Freed (The Street)
December 31, 2011

"Canada's bank regulator has joined the country's largest banks in opposing provisions of the Volcker Rule that would restrict proprietary trading of non-U.S. sovereign debt, arguing such a move could threaten the stability of economies outside the U.S. The regulator 'would not wish to see U.S. regulators taking actions that may enhance the stability of their financial system at the cost of undermining the stability of other systems around the world,' wrote Julie Dickson, head of the Office of the Superintendent of Financial Institutions Canada (OSFI), in a letter to U.S. financial regulators Wednesday. The letter notes that Canada's financial institutions rely heavily on 'US-owned financial system infrastructure,' for example clearing trades through the Depository Trust and Clearing Corp. or using U.S. exchanges for Canadian dollar futures and options trades.OSFI is concerned that the draft regulations of the Volcker Rule 'may have the unintended consequence of significantly impeding Canadian and other foreign financial institutions' ability to manage their risks in a cost-effective manner, which could give rise to prudential concerns in Canada and abroad,'

according to the letter, which was sent to the U.S. Treasury Dept., the Federal Reserve, the Federal Deposit Insurance Corp. and the Securities and Exchange Commission." [Click here for more.]

MF Global

Congress Presses Rating Firms
Scott Patterson (WSJ – subscription required)
January 5, 2012

"Congressional investigators are stepping up their inquiry into how deeply credit-rating companies examined the disastrous bet that sank MF Global Holdings Ltd. and whether the firms overlooked crucial information in their evaluations, according to people familiar with the matter. The chairman of the House Financial Services subcommittee on oversight and investigations sent letters to Moody's Corp. Chief Executive Raymond McDaniel and Standard & Poor's Ratings Services President Douglas Peterson seeking detailed information about the firms' procedures for determining MF Global's credit worthiness." Click here for more.

MF Global Inquiry Turns to Its Primary Regulator
Ben Protess and Azam Ahmed (DealBook/NYT)
January 5, 2012

"Federal authorities investigating the collapse of MF Global have expanded their inquiry to include the actions of the CME Group, the operator of the main exchange where the commodities brokerage firm conducted business, according to people briefed on the matter. CME, which also served as MF Global's primary regulator, has come under heavy criticism after $1.2 billion in customer money disappeared from MF Global. The Commodity Futures Trading Commission, the government agency leading the case, is scrutinizing CME's conduct in the days before MF Global filed for bankruptcy on Oct. 31. In particular, the commission is reviewing whether CME's efforts to verify the safety of customer money were sufficient, the people said." Click here for more.

International

Spain sees €50bn of new bank provisions
Victor Mallet in Madrid (FT – registration required)
January 4, 2012

"Spain says it expects its banks to set aside up to €50bn in further provisions on their bad property assets as part of a new round of reforms for the country's financial sector. High quality global journalism requires investment. Luis de Guindos, economy minister in the centre-right government that took office two weeks ago after defeating the Socialists, said on Wednesday it was essential that the banks clean up their balance sheets without imposing a burden on the treasury. The €50bn figure, equivalent to about 4 per cent of Spain's GDP, is higher than private expectations by bankers." Click here for more.

ECB gives €489bn in three-year loans to 500 banks
The Irish Times
December 22, 2011

"THE EUROPEAN Central Bank stepped up its response to the euro zone crisis by providing €489 billion in unprecedented three-year loans to more than 500 banks across the region. The stronger-than-expected demand, a record for the amount allocated in a single ECB liquidity operation, came after banks were urged by policymakers to take the funds as part of a concerted effort to ease strains in the financial system." Click here more.

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Foreclosures and Housing

Fed Identifies Markets Primed for Bulk REO-to-Rental Programs
Carrie Bay (DSNews.com)
January 5, 2012

"The Federal Reserve is throwing its support behind a large-scale REO-to-rental program to address the oversupply of vacant foreclosed homes and prevent property values from falling further. In a white paper distributed to key lawmakers on the House and Senate banking committees, the Fed notes that in contrast to the market for owner-occupied homes, the market for rental housing is strengthening." Click here for more.

Mortgage talks point to likely investor losses
Shahien Nasiripour and Kara Scannell in Washington (FT – registration required)
January 6, 2012

"Investors in US home mortgage bonds may have to swallow losses as part of a wide-ranging settlement being discussed between leading banks and the Obama administration to resolve allegations of foreclosure misdeeds, people familiar with the matter said. Participants in the discussions cautioned that a final agreement remains weeks away and that the terms being discussed could change. However, they said it is likely banks would be able to reduce loan principal on mortgages owned by investors through mortgage-backed bonds." Click here for more.

Treasury not ruling out changes in last year of HAMP
Jon Prior (HousingWire)
January 5, 2012

*"The Home Affordable Modification Program expires at the end of 2012 and the **Treasury Department** is not ruling out guideline changes before then. The program launched in March 2009 to pay mortgage servicers for modifying loans on the verge of foreclosure. The Treasury capped its payments to servicers at $29.8 billion, according to its December transaction report. The Treasury initially expected to spend $75 billion through the program, with $50 billion from the Troubled Asset Relief Program and the rest from **Fannie Mae** and **Freddie Mac**." Click here for more.*

Fraud and folly: The untold story of General Electric's subprime debacle
Michael Hudson (iWatchnews.org)
January 6, 2012

"For General Electric Co., hawking subprime mortgages was a long way from making light bulbs and jet engines. That didn't stop the industrial giant from jumping into the subprime business in 2004, lending blue-chip respectability to the market for risky home loans by paying roughly half a billion dollars to buy California-based WMC Mortgage Corp. What GE got in the bargain, former WMC employees say, was a place where erstwhile shoe salesmen, ex-strippers and even a former porn actress could sign on as sales reps and make big money pushing home loans. WMC's top salespeople earned a million dollars a year or more and lived fast, swigging $1,000 bottles of Cristal and wheeling around in $100,000 Ferraris and Bentleys." Click here for more.

Backtracking U.S. Lawmakers Expand Federal Role in Mortgages
Clea Benson and Lorraine Woellert (Bloomberg)
December 29, 2011

"Washington lawmakers, who began 2011 with sweeping plans to shrink the U.S. government's role in mortgage finance, are heading into 2012 after enacting policies that expand it. An 11th-hour payroll tax cut extension signed into law last week will for the first time divert funds directly from Fannie Mae (FNMA) and Freddie Mac, the two mortgage-finance companies under U.S. conservatorship, to pay for general government expenses." Click here for more.

Details of Mortgage Servicing Settlement Between Banks and AGs Begin to Emerge
Massimo Calabresi (Time's Swampland)
December 23, 2011

"The never-ending negotiations between the 50 state attorneys general (minus a few big ones) and five major banks over penalties and standards for past, present and future mortgage servicing are finally ending, and some details are beginning to emerge from sources familiar with the deal. The big number is the $25 billion that the banks will commit to three categories of the settlement: $5 billion in cash payments, mostly to the states, $3 billion in refinancing for underwater mortgages, and $17 billion in principal reduction. Here's the breakdown: Of the $5 billion, $1.5 billion will go to people who have been foreclosed on and were abused in some way during the process. The claims are nearly instantaneous–"we don't read anything, it's check the box," says one state AG negotiator. But the payments are also small: $1,500 to $2,000. Now, the vast majority of people who lost their homes over the last several years probably would not have been able to make their payments even if the banks had been behaving well. For them a no-questions-asked $2,000 check from the bank for the poor treatment they received in the process may be fair. On the other hand, those who were unfairly evicted may be insulted by the small amount. But no one taking the payment would be giving up any rights to bring cases against the banks for wrongful eviction or other claims they may have. The federal regulator with oversight of the issue, the Office of the Comptroller of the Currency, has sent out 4.5 million forms to potentially wrongfully evicted families; processing those claims will be paid for by the banks." Click here for more.

Foreclosure Relief? Don't Hold Your Breath
Gretchen Morgenson (NYT)
December 24, 2011

"Throughout the foreclosure crisis, Washington has done little to help people hang on to their homes. All those programs that were supposed to help — HAMP, HARP, Hope for Homeowners — have mostly failed. So many were skeptical when the Office of the Comptroller of the Currency announced yet another program in April. This one was intended to provide reparations to homeowners who'd been hurt financially by foreclosure abuses at banks. As the details trickle out, the program looks like more of the disappointing same. 'This is just the next program that's getting people's hopes up,' said Alys Cohen, staff attorney at the National Consumer Law Center in Washington. 'Not only will it not help people, it could easily harm them.' The program arose out of a regulatory review in late 2010 of loan servicing practices at the nation's largest banks. The review followed the robo-signing scandal that erupted after consumer lawyers — not regulators, mind you — identified numerous apparent forgeries and other improper foreclosure documents filed with courts by banks and their representatives." Click here for more.

Countrywide Will Settle a Bias Suit
Charlie Savage (NYT)
December 21, 2011

"The Justice Department on Wednesday announced the largest residential fair-lending settlement in history, saying that Bank of America had agreed to pay $335 million to settle allegations that its Countrywide Financial unit discriminated against black and Hispanic borrowers during the housing boom. A department investigation concluded that Countrywide loan officers and brokers charged higher fees and rates to more than 200,000 minority borrowers across the country than to white borrowers who posed the same credit risk. Countrywide also steered more than 10,000 minority borrowers into costly subprime mortgages when white borrowers with similar credit profiles received regular loans, it found." Click here for more.

Click here to view NLCR's press statement and click here to view CRL's.

US watchdog eyes zero interest mortgage plan
Shahien Nasiripour in New York (FT – registration required)
December 20, 2011

"The US regulator supervising mortgage giants Fannie Mae and Freddie Mac is weighing a proposal that would reduce bankrupt homeowners' loan balances, delighting borrower advocates yet pitting it against a White House that is so far passing on the idea. The Federal Housing Finance Agency is 'actively considering' a plan that would call for Fannie and Freddie to allow homeowners in Chapter 13 bankruptcy proceedings who owe more on their housing debt than their homes are worth to pay zero per cent interest for five years, subject to approval by bankruptcy judges, according to a letter to Congress dated Monday." Click here for more.

Cook County passes vacant building ordinance similar to Chicago's

Mary Ellen Podmolik (Chicago Tribune)
December 14, 2011

"The Cook County Board on Wednesday passed a vacant building ordinance that largely mirrors one adopted by the city of Chicago and now the subject of a federal lawsuit. The county measure, passed without opposition, requires a property's mortgagee to pay $250 to list buildings as vacant on a countywide registry. A similar ordinance, with some tweaks and a $500 property registration fee, was passed by the Chicago City Council last month. Monday, the Federal Housing Finance Agency, which oversees Fannie Mae and Freddie Mac, filed a federal lawsuit against the city, charging that the city's rules encroach on its role as the sole regulator and supervisor of Fannie and Freddie, which own about 258,000 mortgages within the city of Chicago. … In January, ***Woodstock Institute****, a Chicago-based public group, reported that just within the city of Chicago in September 2010, there were 1,900 vacant properties where foreclosure proceedings were launched by mortgage servicers but never completed, leaving the properties in limbo and likely not secured or maintained." Click here for more.*

California Attorney General Sues Fannie and Freddie
Nick Timiraos and Ruth Simon (WSJ – subscription required)
December 21, 2011

"California Attorney General Kamala D. Harris filed suit against Fannie Mae and Freddie Mac on Tuesday, seeking to force the firms to answer a detailed list of questions after the firms' federal regulator sought to block an open-ended inquiry by the state. The lawsuits, filed in San Francisco County Superior Court, are the latest salvo by Ms. Harris against the mortgage-finance giants and their regulator, the Federal Housing Finance Agency. Last month, the office issued subpoenas asking the firms to provide extensive answers to a range of questions about the mortgages they purchased and the foreclosed properties they own in California." Click here for more.

Nevada Sues Lender Processing Services, Mortgage Giant, For Foreclosure Fraud
Loren Berlin (Huffington Post)
December 16, 2011

"In a move likely to further Nevada's growing reputation for rigorously pursuing mortgage fraudsters, the state's Attorney General Catherine Cortez Masto is suing Lender Processing Services, a Florida-based company that allegedly foreclosed illegally on thousands of struggling borrowers, according to a press release. The company processes more than half of all foreclosures annually, making it the largest company in the country that collects mortgage payments from delinquent borrowers, faces a number of charges: fraudulently notarizing documents; intentionally disrupting communication between distressed borrowers and the attorneys attempting to help them; kickbacks concealed as 'attorney's fees,' and 'robo-signing;' in which employees signed foreclosure documents without verifying the information." Click here for more.

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Executive Compensation

The New Bottom Line - Big Bank Bonus Facts: 2011
December 2011

"Seven big banks – Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley, US Bank, and Wells Fargo – are set to dole out year-end bonuses in the coming weeks. The banks do not release data on compensation until early next year, but it is possible to estimate the size of this year's compensation pool based on data from the first three quarters of 2011 (note that compensation pools include salaries, benefits, and bonuses). Press reports have suggested that Wall Street bankers will face a pay cut this year, but based on figures from the third quarter, compensation pools at the big banks are on track to be slightly larger than last year's record breaking number: a combined ***$156 billion in total compensation.****[i]" Click here for more.*

Bankers Join Billionaires to Debunk 'Imbecile' Attack on Top 1%
Max Abelson (Bloomberg)
December 20, 2011

"Jamie Dimon, the highest-paid chief executive officer among the heads of the six biggest U.S. banks, turned a question at an investors' conference in New York this month into an occasion to defend wealth. 'Acting like everyone who's been successful is bad and because you're rich you're bad, I don't understand it,' the JPMorgan Chase & Co. (JPM) CEO told an audience member who asked about hostility toward bankers. "Sometimes there's a bad apple, yet we denigrate the whole.' Dimon, 55, whose 2010 compensation was $23 million, joined billionaires including hedge-fund manager John Paulson and Home Depot Inc. (HD) co-founder Bernard Marcus in using speeches, open letters and television appearances to defend themselves and the richest 1 percent of the population targeted by Occupy Wall Street demonstrators. If successful businesspeople don't go public to share their stories and talk about their troubles, 'they deserve what they're going to get,' said Marcus, 82, a founding member of Job Creators Alliance, a Dallas-based nonprofit that develops talking points and op-ed pieces aimed at "shaping the national agenda," according to the group's website. He said he isn't worried that speaking out might make him a target of protesters. 'Who gives a crap about some imbecile?' Marcus said. "Are you kidding me?'" Click here for more.

Pushing Back on Clawbacks
Reynolds Holding and Una Galani (NYT)
December 19, 2011

"Insurers that cover directors and officers may be pushing back on clawbacks. Allowing regulators to recoup undeserved rewards from executives is central to recent financial reforms. But in addition to more standard risks, directors and officers policies are now covering salaries and bonuses lost in this way — at shareholder expense. Though insurers deny helping executives skirt accountability, investors, watchdogs and the courts may see things differently. Meager fines for errant corporations haven't satisfied the public's lust for rolling heads. That is one reason the Dodd-Frank and Sarbanes-Oxley laws provide for clawbacks. The idea is that at least part of senior executives' hefty pay packages can be recovered if they run banks that fail or receive remuneration based on bad numbers. That bites them where it really hurts, in the pocketbook." Click here for more.

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Student Lending

For-Profit College Students Face Higher Debt, More Unemployment, Report Finds
Chris Kirkham (Huffington Post)
January 4, 2012

"Students attending for-profit colleges wind up with much higher student-loan debts, are less likely to be employed after graduation and generally earn less than similar students at public or private nonprofit schools, according to a recent paper from the National Bureau of Economic Research. The study, conducted by a group of Harvard researchers, examines a bevy of federal data tracking student graduation rates, federal loan repayment rates and student success in securing jobs. The researchers ask one central question: Are for-profit colleges 'nimble critters' responding to higher demand for college degrees, or 'agile predators' that target low-income students with the intent of reaping profits through federal student aid dollars?" Click here for more.

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FTT

To Reclaim the Envy of the World, Wall Street Must Pay
David Weidner (WSJ - subscription required)
January 5, 2012

*"Until the financial crisis, Western finance—led by Wall Street—was the envy of the world. The biggest reason for this, of course, was money. Big financial institutions generated more than one-third of U.S. corporate profits, and their work force was compensated commensurately. And there was another reason why the world looked to American finance: U.S. markets were considered the most open, fair and transparent in the world. More than three years later, Wall Street's reputation is deeply wounded. Astounding losses suffered by the financial industry and the ensuing recession pulled back the curtain on a system corrupted by greed, excess and a lack of regulation. Here and abroad, central bankers have used bailouts and new rules to shore up banks. But it's really a fiscal solution to a problem of confidence. People have lost faith, not only in the banking system, but in politicians and governments that are supposed to keep them in check. For all of the mistakes and foot dragging in Europe, leaders are considering something that actually might restore lost trust. It won't happen immediately, and it isn't a guaranteed fix, but it does leap a big hurdle that global regulators face: how to pay for it all. I'm speaking, of course, about a financial-transactions tax. Around the globe, it goes by different names. In Australia, where a tax went into effect Jan. 1, it is being called a 'cost-recovery tax.' In other places, it is known as a 'Robin Hood Tax' and 'Tobin tax,' named for Nobel laureate James Tobin, who proposed in the early 1970s a tax on currency conversions. First, a study by the Chicago Political Economy Group estimates a financial-transaction tax could raise as much as $537 billion a year. That's more than regulators could possibly need, and the considerable excess could be used to pay down the deficit. A scaled-back tax of 1% would raise more than $200 billion, according to **Americans For Financial Reform**. "Click here for more.*

Financial Transaction Tax Sparks Hopes That Obama Will Play Robin Hood In 2012
Dan Froomkin (Huffington Post)
December 16, 2011

"Advocates of a tiny but lucrative tax on financial transactions are increasingly hopeful that President Barack Obama's need to more firmly establish himself as the Main Street candidate in 2012 will lead him to back the measure. The tax -- though nearly inconsequential on a per-trade basis -- would reap billions in revenue from Wall Street's most rapacious institutions while also cutting down on their incentive to engage in the high-stakes, lightning-fast gambling that has proven particularly lucrative for them, at the expense of others." Click here for more.

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Other

Inside Capitol, Investor Access Yields Rich Tips
Brody Mullins and Susan Pulliam (WSJ – subscription required)
December 20, 2011

"When Senate Democrats finally brokered a compromise over the proposed health-care law, a group of hedge funds were let in on the deal, learning details hours before a public announcement on Dec. 8, 2009. The news was potentially worth millions of dollars to the investors, though none would publicly divulge how they used the information. They belong to a select group who pay for early, firsthand reports on Capitol Hill." Click here for more.

China Hackers Hit U.S. Chamber
Siobhan Gorman (WSJ – subscription required)
December 21, 2011

"A group of hackers in China breached the computer defenses of America's top business-lobbying group and gained access to everything stored on its systems, including information about its three million members, according to several people familiar with the matter. The break-in at the U.S. Chamber of Commerce is one of the boldest known infiltrations in what has become a regular confrontation between U.S. companies and Chinese hackers. The complex operation, which involved at least 300 Internet addresses, was discovered and quietly shut down in May 2010. … Chamber officials said they scoured email known to be purloined and

determined that communications with fewer than 50 of its members were compromised. They notified those members. People familiar with the investigation said the emails revealed the names of companies and key people in contact with the Chamber, as well as trade-policy documents, meeting notes, trip reports and schedules. 'What was unusual about it was that this was clearly somebody very sophisticated, who knew exactly who we are and who targeted specific people and used sophisticated tools to try to gather intelligence,' said the Chamber's Chief Operating Officer David Chavern." Click here for more.

Federal Judge Questions SEC Settlement
Catherine New (The Huffington Post)
December 22, 2011

A federal judge in Milwaukee has criticized the Securities and Exchange Commission for being too soft with corporate enforcement, marking the second time the agency has been criticized for weak settlements in the past month. Shadowing last month's decision by U.S. District Judge Jed Rakoff to kibosh the agency's $258 million proposed settlement with Citibank, a federal judge in Milwaukee told the SEC that its proposed settlement with the Koss Corp. is too vague and asked the agency to provide more facts by January 24. In October the SEC charged Koss Corp., a headphone-manufacturer, with accounting fraud. Click here for more.

Wall Street's Big Swingers Get the Biggest Breaks: Susan Antilla
Susan Antilla (Bloomberg)
January 3, 2012

"On the surface, the year 2011 was one of ramped-up securities regulation and scary times for financial scammers, with enforcement cases soaring at the U.S. Securities and Exchange Commission and coverage galore about the humbling of inside traders and municipal-bond riggers. Along with the sexy headlines about felled lawbreakers, though, there were also troubling free passes and favors granted to the accused and the privileged. Laws that were set up to punish bad guys got waived within days of the press releases announcing that the offenders had been brought down. Well-connected lawyers in the employ of investment firms got express-lane access to regulatory brass. Among the C-suite set, there was even one big name who left the securities industry for a few years and returned to face the humiliation of retaking the licensing tests. Of course, as it should be for the privileged, he got a waiver from the requirements that lesser mortals on Wall Street must meet." Click here for more.

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Upcoming Events

Capitol Hill

The U.S. House of Representatives is effectively recessed until January 17, 2012 and the United States Senate is effectively recessed until January 23, 2012.

SEC

No pertinent meetings scheduled as of 1/6/12

CFTC

CFTC to Hold Open Meeting to Consider Three Final Rules, One Proposed Rule and a Delegation of Authority Order

Washington, DC – The Commodity Futures Trading Commission (CFTC) will hold a public meeting on Wednesday, January 11, 2012, at 9:30 a.m., on the following topics: 1) Final Rule: Registration of Swap Dealers and Major Swap Participants; 2) Final Rule: Protection of Cleared Swaps Customer Contracts and Collateral: Conforming Amendments to the Commodity Broker Bankruptcy Provisions; 3) Final Rule:

Business Conduct Standards for Swap Dealers and Major Swap Participants with Counterparties; 4) Proposed Rule: Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships with, Hedge Funds and Private Equity Funds; and 5) Delegation of Authority Order: Performance of Registration Functions by National Futures Association with Respect to Swap Dealers and Major Swap Participants.

The meeting is open to the public.

What: Open meeting to consider three final rules and one proposed rule under the Dodd-Frank Wall Street Reform and Consumer Protection Act. In addition, the Commission will consider a delegation of authority order.

Where: CFTC Headquarters Conference Center, Three Lafayette Centre, 1155 21st Street, NW, Washington, DC 20581.

When: Wednesday, January 11, 2011, 9:30 a.m.

Viewing/Listening Information: The CFTC has made available the following options to access the meeting: Watch a live broadcast of the meeting via webcast on www.cftc.gov or call a toll-free telephone line to connect to a live audio feed.

Call in participants should be prepared to provide their fist name, last name and affiliation. Conference call information is listed below:

Domestic Toll Free: 866-844-9416 - International Toll Numbers: See Related Document - Call Leader Name: Frank Rosen - Pass code/Pin code: 6529163

Note: The open Commission meeting that was previously scheduled for January 17, 2012, and announced in a Sunshine Notice published in the Federal Register on December 20, 2011, will not be held. The next open Commission meeting is scheduled for January 25, 2012.