



## This Week in Wall Street Reform | August 5 — 11, 2017

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### TRUMP ADMINISTRATION AND WALL STREET

#### [Lobbyists and More Lobbyists: Trump's Inconvenient Ethics](#) | **Huffington Post (Craig Holman)**

Donald Trump's pledge to "drain the swamp" emerged in the course of his campaign for president as rhetoric. The campaign rhetoric eventually turned into official policy as ethics Executive Order No. 13770 decreed on a lazy Saturday afternoon after Trump stepped into the White House. Some of the ethics policy is borrowed from the sweeping ethics executive order of his predecessor, Barack Obama.

For Obama, the ethics executive order was rigidly enforced, drawing the ire of the lobbying community angered by the policy's constraints against the appointment of lobbyists into government. For Trump, the ethics executive order is making no such waves. Lobbyists are swarming into the Trump administration, at all levels, in all agencies. Trump dropped Obama's restriction against lobbyists being appointed to agencies they had recently lobbied. A lobbyist in the Trump era may de-register on Monday and join the administration on Tuesday.

#### [Trump's Pick for Top Bank Regulator, Says Rules Should Be Clear, Constrained](#) | **Politico Pro**

Randal Quarles, President Donald Trump's nominee to be Federal Reserve vice chairman for supervision, told the Senate Banking Committee Monday that regulators' discretion "should be as constrained as possible." Quarles, a private equity investor and former Treasury official, elaborated in writing on his views regarding regulation and monetary policy in response to questions from Sherrod Brown of Ohio, who is the committee's top Democrat.

#### [FDIC Defends Right to Charter New Banks Against OCC Criticism](#) | **American Banker**

The Federal Deposit Insurance Corp. defended its authority to approve prospective new banks in response to suggestions by acting Comptroller of the Currency Keith Noreika that his agency should be able to approve applications on its own.

"The FDIC's role in reviewing and approving applications for deposit insurance — and closely monitoring the condition of new banks as they become established — has been an important safeguard of the safety and soundness of our banking system for more than 25 years," FDIC spokeswoman Barbara Hagenbaugh said in a statement Friday.

During a podcast interview Friday with a Commodity Futures Trading Commission official, Noreika repeated accusations he had previously lobbed at the FDIC about how it handles deposit insurance applications.

### [Trump Must Tackle the Financial Issues of Main Street Americans | The Hill \(Bailey Childers\)](#)

More than 200 days into Donald Trump's presidency, we now have a clear answer on whom his administration will serve: Wall Street and corporations... At every opportunity, his administration has rolled back any small progress that's been made over the last few years to help Americans prepare for retirement.

### [Warren Blocking Trump's Pick for Antitrust Chief | The Hill](#)

Sen. Elizabeth Warren (D-Mass.) is blocking the Senate confirmation of President Trump's nominee to run the Justice Department's antitrust division, according to Bloomberg. Makan Delrahim was nominated for the post in March and approved by the Senate Judiciary Committee in a 19-1 vote in June, but Warren has placed a hold on the nomination... Warren has pointed to Delrahim's nomination as an example of the Trump administration's willingness to put the "interests of giant corporations ahead of the American people," as she wrote in an April 3 Facebook post, citing his work lobbying for Anthem in its attempted merger with Cigna.

### [Democrats call on Hensarling to subpoena Deutsche Bank | PoliticoPro](#)

Democrats are calling on House Financial Services Chairman Jeb Hensarling (R-Texas) to subpoena Deutsche Bank for information related to its dealings with President Donald Trump and Russia.

In a letter to Hensarling led by ranking member Maxine Waters (D-Calif.), five committee Democrats said he should begin an investigation "to obtain the documents that Deutsche Bank is currently withholding from the committee."

The Democrats have been asking Deutsche Bank, without success, to provide documents related to an internal review of Trump and his family's personal accounts as well as documents related to a Russian "mirror trading" scheme.

## **CFPB AND CONSUMER FINANCE**

### [What Happens If CFPB's Cordray Leaves Early? | American Banker](#)

If Consumer Financial Protection Bureau Director Richard Cordray leaves soon to run for governor of Ohio — as is widely expected — there are questions about who President Trump could pick to fill the vacancy and whether that choice might delay the enactment of the agency's arbitration rule. Cordray's term expires in July 2018, but if he is going to join the gubernatorial race, he would likely have to leave by fall at the latest. Yet depending on when Cordray leaves (assuming he does), his legacy could be in jeopardy. A rule to ban mandatory arbitration clauses in financial products is due to take effect in March, while the CFPB is expected to release a final rule reining in small-dollar lending ahead of Cordray's departure. Both rules could be in play depending on how fast the Trump administration could act to appoint a successor.

### [Why Hasn't Trump Fired CFPB's Cordray? | Forbes \(John Berlau\)](#)

### [What Is the Consumer Financial Protection Bureau? | MSNBC \(Video\)](#)

[Payday Lenders Have a Pal at the White House](#) | Medium.com (Jim Lardner)

[GOP Staff: CFPB's Cordray Could Be Held in Contempt Over Arbitration Rule](#) | CU Times

In another shot fired at the CFPB, the Republican staff of the House Financial Services Committee says there is sufficient evidence to hold Director Richard Cordray in contempt of Congress for failing to comply with a committee subpoena for records dealing with the agency's arbitration rule. In a report released Friday, the GOP staff said the committee's request for certain records dealing with agency decision-making has been outstanding for 471 days.

[Serve South Carolinians, Not Big Banks](#) | Columbia SC State (letter to the editor)

By now, most Americans have heard about Wells Fargo's fake account scandal that led to as many as 3.5 million unauthorized bank accounts (more than 23,000 here in South Carolina) and damaged people's credit scores across the country. Last week, we learned that Wells Fargo has also been running an auto insurance scam. And now, Congress is bending over backwards to help the banks and other bad actors get away with their crimes. Since 2009, only 215 consumers nationwide have filed claims in arbitration against Wells Fargo, and just one claim has been filed in South Carolina. Our senators have a chance to put South Carolinians ahead of Wall Street banks by rejecting efforts to overturn the arbitration rule. We can't afford to lose the power to hold corporate wrongdoers accountable.

[The U.S. is for Sale Again; Lance Loves Financial Institutions](#) | Hunterdon County Democrat (Rolf Margenau)

One we should all be concerned about is the House's rapid action last week to negate a rule submitted by the Bureau of Consumer Financial Protection relating to Arbitration Agreements. The Consumer Protection people thought that was unfair. So, on July 19, this year, they issued a final rule that said potential screwers could no longer use an agreement that contained an arbitration provision or any language that would prohibit their customers from joining a class action for relief. Screwies who had signed an arbitration agreement in the past were also protected. No longer would the little guy be denied his day in court. So, if you find an arbitration clause in the papers you must sign to buy stock, open a bank account, or buy insurance, thank your Congressman, Leonard Lance. And, in the fall of 2018, remember how he served you.

[Unethical Clauses](#) | Pittsburgh Tribune-Review

Forced arbitration, or putting a clause in a contract that presents consumers from suing companies for wrongdoing, is unethical. This practice eliminates the power of individuals to go through with class-action lawsuits if they've been taken advantage of. Recently, the Consumer Financial Protection Bureau released new guidelines that bring attention to these clauses and return the right to sue to the consumer. However, Wall Street banks strongly oppose this rule, as does U.S. Rep. Keith Rothfus, R-Sewickley, likely because he received over half a million dollars from the financial services industry during the 2016 election cycle. Corporations are not people. Instead of participating in greedy practices, Rothfus should stand with his constituents and listen to the needs of his own district.

[Warren Asks Where Bank CEOs Stand on Customers' Ability to Join Class Actions](#) | The Hill

Warren [sent a letter](#) Thursday to the CEOs of the 16 largest financial firms, including Bank of America and Wells Fargo & Co., asking whether they oppose the rule limiting use of language, know as arbitration clauses, in consumer contracts that force consumers to settle disputes privately with an independent third party. Warren asked the bank leaders if they oppose the rule, if they use arbitration agreements in their consumer contracts and for data on the cases they've settled through arbitration.

### [Consumer Bureau Mulls Action on Debit Card Overdrafts](#) | **The Hill**

The Consumer Financial Protection Bureau (CFPB) is considering action intended to make debit card users more aware of the fees banks charge for making a purchase without sufficient funds. The bank will approve the transaction if the account-holder has opted-in for one-time card purchase overdrafting, but will charge a fee.

On Friday, the consumer bureau proposed four potential forms that banks could use to help consumers pick the best overdraft fee option for them. The CFPB expressed concerns about the relatively small number of vulnerable consumers frequently paying overdraft fees, citing a bureau study of 40 million bank accounts scraped of personal information.

### [Banks' Overdraft Fees Shouldn't Put the Squeeze on You](#) | **Palm Beach Post (editorial)**

Which bank fees cost Americans more money each year than they spend on eggs, on baby clothes, or on books, newspapers and magazines combined? Overdraft fees on family and personal checking accounts, to the tune of \$14 billion annually. Financial institutions charge large fees when a customer's checking account doesn't have enough money for a purchase but the bank pays the transaction anyway. Instead of declining the transaction, as many customers expect banks would, the bank often "covers" the amount and adds a fee, typically as high as \$35.

Thanks to a number of lawsuits dating back to at least 2009, many banks sought to increase overdraft revenue by manipulating the sequence in which withdrawals were taken from their customers' accounts. By reordering the purchases from highest to lowest, banks maximized overdraft penalties and generated grossly excessive fees from the accounts of some of their most vulnerable customers. Many banks settled these cases for a total of more than \$1 billion combined. Wells Fargo, on the other hand, refused. Its tactic, so far unsuccessful, has been to try to force its customers into a private forced arbitration proceeding that would result in no accountability, while keeping the truth hidden from public view.

### [Closing the Courthouse Door](#) | **NY Times (editorial)**

The Trump administration is moving to deny Americans their day in court when they have been wronged. The Centers for Medicare and Medicaid Services want to reverse an Obama-era regulation that bars most nursing homes from forcing residents to agree to resolve disputes in private arbitration, instead of in court. The Department of Education recently announced that it was working to reverse an Obama-era rule that prevents most for-profit colleges and other schools from enforcing arbitration agreements when resolving loan disputes by students. Now, congressional Republicans are getting into the act by attacking a new rule, issued by the Consumer Financial Protection Bureau, that will let Americans bring class-action lawsuits against banks instead of being forced into arbitration.

Without the rule, which is scheduled to apply to transactions next year, banks could continue to profit from abusive products and practices without ever facing a court challenge, and aggrieved customers would continue to be shunted into arbitration. Class-action lawsuits are often the only way to hold corporations to account for wrongdoing in which thousands or millions of customers lose amounts that may be meaningful for each customer, though not enough to warrant an individual fighting a corporation.

### [Battle over Suing Big Banks Shifts into High Gear](#) | Washington Post

The dog days of summer will be especially hot for the Consumer Financial Protection Bureau. Its push to enable class-action lawsuits against financial firms is setting up a defining clash with Wall Street interests. The battle will come to a head in September, when Senate Republicans aim to sink the agency's proposed ban on contracts that lock consumers out of suing their banks.

The industry is already fighting back. And, as in the health-care debate that swallowed the summer, a handful of Senate Republicans will determine the outcome. House Republicans voted in July to scupper the rule. Their colleagues across the Capitol need to muster a simple majority to follow suit, which also means they can afford only minimal defections.

### [Consumers Need Protection in DC](#) | The Columbian (Morrie Foutch)

### [Contract Rule Would Help Consumers, Won't Hurt Most Businesses](#) | Portland Press Herald (letter to the editor)

This rule is focused on the practices of global banks, payday lenders and other financial services companies that commit widespread customer abuse. The U.S. Chamber of Commerce, which is funded in large part by those very global banks, would like for you to believe otherwise.... The Consumer Financial Protection Bureau rule only goes after bad actors, leaving the rest of us to go about our business.

### [Class-Action Lawsuits Crucial to Shedding Light on Bank Fraud](#) | The Hill (Heidi Shierholz)

Just two weeks after consumers got crucial legal rights restored by a new rule from the Consumer Financial Protection Bureau (CFPB), the U.S. House of Representatives voted July 25 to strip consumers of the ability to join together and hold large financial institutions accountable in court. Now it is up to the Senate to decide whether to move forward with repeal.

Though the CFPB rule is based on a congressional directive and five years of careful study, its opponents have rallied around a claim that the agency's own findings show consumers on average receive greater relief in arbitration than class-action lawsuits. This claim is enormously misleading — and a shaky basis for congressional action on the rule.

### [Trump Organization Employees Forced to Agree Not to Sue the Company](#) | CBS

Employees at Trump Organization properties have been told they must give up their right to sue their employer or else they will lose their jobs... Employees were also told that if they didn't sign the confidentiality agreement, they would lose their jobs.

### [If Congress Won't Protect Us from Wells Fargo, then at Least Get out of the Way](#) | Muth's Truths (Chuck Muth)

### [Cordray, GOP Clash on Consumer Lawsuits against Banks](#) | Columbus Dispatch

### [Wells Fargo Mess May Make It Harder to Roll Back Dodd-Frank](#) | Washington Post

The fake-account mess that originally landed the bank in hot water turns a year old in September and still isn't resolved. And on Monday came the news it's facing regulatory scrutiny from the Federal Reserve Bank of San Francisco for not refunding insurance money to people who paid off car loans early.

It's not hard to imagine industry critics making even more hay out of the bank's malfeasance. As Cap Alpha's Ian Katz wrote late last month, the nesting Wells scandals could "end up being unhelpful to broader efforts to reform Dodd-Frank, because it strengthens the arguments of Democratic lawmakers including Elizabeth Warren and Sherrod Brown that banks need tougher, not lighter, oversight."

### [Well, Well, Wells Fargo](#) | U.S. PIRG (Ed Mierzwinski)

As the big Wall Street banks, payday lenders and other opponents of consumer protection intensify pressure on Congress to weaken financial reform and gut the CFPB like a fish, reports of further Wells Fargo malfeasance serve as a warning that the Consumer Financial Protection Bureau and the rest of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act are needed now more than ever.

### [Wells Fargo customer: "It felt like my car was held as extortion"](#) | CNN Money

Imagine keeping up with your Wells Fargo car loan payment every month -- but having your vehicle repossessed anyway. That's exactly what Samir Hanef said happened to him...

Hanef is a victim in the latest Wells Fargo scandal. He is one of up to 570,000 auto loan borrowers that Wells Fargo has said it may have enrolled and charged for car insurance without their knowledge. Wells Fargo has admitted that as many as 20,000 of those customers may have defaulted on their car loans or had their vehicles repossessed in part due to these unnecessary insurance costs.

### [Wells Fargo says blind woman must abide by arbitration agreement](#) | Jackson MS Clarion-Ledger

### [Embattled Wells Fargo Plans Board Shake-Up](#) | Wall St. Journal

### [Most banks expect legal bills to fall — except Wells Fargo](#) | Yahoo Finance

Wells Fargo is doing very well financially, posting reasonably strong earnings, so the effects of these potential losses may not be a particularly material factor for the health of the company.

But compared to other banks, Wells Fargo's potential legal liabilities in the past two years are stark...

### [GOP Effort to Overturn Arbitration Rule at Risk from Republican Defectors](#) | Wall St. Journal

A Republican-backed effort to overturn a rule making it easier for consumers to sue banks has hit a snag: the Senate. At issue is a Consumer Financial Protection Bureau rule approved in July barring fine-print requirements that consumers use arbitration to resolve disputes over financial services.

Republican lawmakers are targeting the CFPB rule with a legislative tool known as the Congressional Review Act. It allows lawmakers to overturn a newly issued regulation on an expedited schedule with a simple majority vote in Congress.

However, support in the Senate is uncertain. No Democrats are likely to back the effort, and Republicans, with their slim majority, can't afford to lose more than two GOP votes. Sen. Lindsey Graham (R., S.C.) in an interview said he opposed the resolution, saying arbitration is "a windfall for the companies in terms of how you settle their cheating." Other Republicans, including Sens. Susan Collins of Maine, Lisa Murkowski of Alaska and John Kennedy of Louisiana, have said they are undecided. And Sen. John McCain (R., Ariz.) may be unavailable to vote as he undergoes treatment for brain cancer.

### [Institutions Shouldn't Count on Congress Killing CFPB Arbitration Rule](#) | American Banker

The financial services industry is at risk of being caught flat-footed if a legislative measure to rescind the Consumer Financial Protection Bureau's rule regulating arbitration agreements fails to pass. The industry has been counting on a Republican-controlled Congress to strike down the CFPB's rule using the Congressional Review Act, but as lawmakers recessed for an August break last week, the prospects for overturning the rule are uncertain. If lawmakers do not act, the rule is set to go into effect in mid-March. Financial institutions aren't ready yet, according to several industry observers.

### [Borrower Wants Credit Fixed in Wells Fargo Car Loan Suit](#) | Law360

An Alabama borrower suing Wells Fargo and National General over unneeded auto insurance that was added to car loan bills urged a New York federal judge on Friday to order the firms to immediately begin repairing any car buyer's credit report that suffered as a result of being charged for the coverage.

Katherine Jacob asked U.S. District Judge Analisa Torres to enter a preliminary injunction against Wells Fargo Bank NA and National General Insurance Co. that would order them to "presently investigate and correct any and all inaccurate information" they reported to credit bureaus about the financial shortcomings of borrowers who struggled to afford the higher car loan payments and other charges incurred after the additional coverage was tacked on.

### [Crapo Should Try to Help Iowans, Not Predatory Lenders and Banks](#) | Idaho Statesman (Jack Anderson)

Our senator, Mike Crapo, has thrown his lot in with Wells Fargo and predatory lenders instead of veterans and ordinary Americans. I don't know any other way to put it. Of all the things Sen. Crapo could spend his time on in Washington, he now wants to take away a vital consumer protection right that gives ordinary Americans a shot in court against shady loan sharks or those Wells Fargo banks you can find all over Idaho.

## ENFORCEMENT

### [US Haul from Credit Crisis Bank Fines Hits \\$150bn](#) | Financial Times

Financial institutions have paid more than \$150bn in fines in the US relating to the credit crisis, passing a significant milestone a decade after it became clear American subprime woes had become a global problem. Ten years ago this week, France's BNP Paribas barred investors from accessing money in funds with subprime mortgage exposure, citing a "complete evaporation of liquidity". The date — August 9 2007 — is pegged by many as the moment the financial crisis began.

Financial institutions have largely recovered from the Great Recession that followed, but the crisis profoundly reshaped economies and markets, and the effects on politics and society are still being felt. Dealing with banks' alleged misdeeds from the era also remains unfinished business. The public outcry for accountability ushered in an era where the US government was willing to penalise financial institutions sharply, yet most crisis-related actions were civil rather than criminal. Much of the public remained unsatisfied because few bankers went to prison.

### [Regulators' Penalties Against Wall Street Are Down Sharply in 2017](#) | Wall St. Journal

Wall Street regulators have imposed far lower penalties in the first six months of Donald Trump's presidency than they did during the first six months of 2016, a comparable period in the Obama

administration, according to a Wall Street Journal analysis. Lawyers who defend financial cases said a shift to a business-friendly stance at regulatory agencies in the Trump administration is one of several reasons for the decrease. Other factors include delays resulting from the change in administrations and the winding down of cases from the financial crisis.

### [Fed Drops Enforcement Action Against M&T Bank](#) | Wall St. Journal

The Federal Reserve on Thursday ended a four-year-old enforcement action against M&T Bank Corp., removing a cloud over the Buffalo, N.Y., bank that had restricted it from deal making. The Fed in 2013 accused M&T of having lax controls against money laundering and around reviewing potentially high-risk customers. The bank in response agreed to overhaul its compliance programs. As is customary, the Fed gave no details in announcing the end of the enforcement action. M&T previously said it overhauled its compliance programs and took other steps to meet regulators' concerns. The end of an enforcement action signals that the Fed is satisfied with the bank's response.

### [Mid-Year FCPA Enforcement Report](#) | Wall St. Journal

Foreign Corrupt Practices Act enforcement slowed in the first half of 2017, although speculation around the government's shifting enforcement priorities may be premature.

Between Jan. 1 and June 30, 2017, the SEC initiated FCPA enforcement actions against four entity groups and two individuals, while the DOJ initiated FCPA enforcement actions against five entity groups and two individuals and added FCPA claims to an existing action against one individual. Total monetary sanctions imposed to date in these actions exceed \$108 million, and are predicated on alleged total bribery payments of at least \$50 million, although the value of some payments were not disclosed in the resolution documents.

## EXECUTIVE PAY

### [CEOs whose pay decreased](#) | As You Sow (Rosanna Landis Weaver)

## INVESTOR PROTECTION AND THE SEC

### [U.S. Chamber to call on SEC to reject new accounting rule](#) | PoliticoPro

The Chamber of Commerce is launching a drive to stop one of the biggest accounting industry reforms in years, pressing the SEC to reject a proposed rule by the auditors' watchdog group for the first time.

In a draft letter to the SEC, obtained by POLITICO, the Chamber will ask the agency to stop a new auditing standard adopted in June by the Public Company Accounting Oversight Board. The SEC must approve regulations adopted by the PCAOB, the accounting industry overseer that was set up after the Enron and WorldCom scandals of the 2000s.

The Chamber's move sets up a clash with some of the world's biggest asset managers, which support the new standard.

After more than six years of work, the PCAOB greatly expanded the requirements for a corporate auditor's report to include a discussion of "critical audit matters." These are issues in a company's financial statement that the auditor could report are subjective or simply beyond the typical complexity of accounting.



### [Why Investors Need Regulators to Promote ‘Clean’ Mutual Funds](#) | The Hill (Aron Szapiro and Paul Ellenbogen)

As the investing and regulatory landscape has evolved, the process of buying and selling mutual funds must be modernized and rationalized. Due to the U.S. Department of Labor’s new fiduciary rule, a new way of selling mutual funds using “clean shares” is emerging, which advisors are embracing to demonstrate they’re acting in their clients’ best interests, which is now required.

Clean shares have the potential to benefit investors by removing perverse incentives for financial advisors that sell the funds to enrich themselves rather than their clients, but there is an important caveat. Regulators, particularly the Labor Department, must get the details right around promoting clean shares, because defining these share classes too broadly could undermine their effectiveness at helping investors obtain access to unconflicted advice.

### [Despite S.E.C. Warning, Wave of Initial Coin Offerings Grows](#) | NY Times

The cautionary words of American regulators have done little to chill a red-hot market for new virtual currencies sold by start-ups. The Securities and Exchange Commission late last month issued its first warning for the many entrepreneurs who have been raising money by creating and selling their own virtual currencies in what are called initial coin offerings.

Yet even after the commission said it was looking closely at projects that may violate its rules, programmers are still embarking on new offerings at a torrid pace. Most of the offerings have little legal oversight and some appear to conflict with the commission’s basic advice. “The broader detail and the silences in the report should give many people pause and that doesn’t seem to have happened yet,” said Emma Channing, the general counsel at the Argon Group, which helps projects in the industry raise funds. “I don’t understand why everyone isn’t as concerned as I am.”

## **MORTGAGES AND HOUSING**

### [2 Senators Question Effects of a Reverse Mortgage Proposal](#) | NY Times

Advocates for the elderly persuaded federal housing officials two years ago to offer more rights and protections to the spouse of a borrower who takes out a reverse mortgage and later dies. Now there is concern that a small wording change in the Trump administration’s proposed budget request for the Department of Housing and Urban Development could undo some of those protections — potentially increasing the chances that a surviving spouse who did not sign the mortgage documents could lose a home in a foreclosure.

Two United State senators sent a joint letter to Ben Carson, the secretary of HUD and Mick Mulvaney, director of the Office of Management and the Budget two months ago, seeking clarity on the proposed wording in the budget request. The two — Senator Marco Rubio, Republican of Florida, and Senator Catherine Cortez Masto, a Nevada Democrat — asked whether the agency was seeking to reverse the earlier policy change.

### [PHH to Pay Government \\$74 Million in Settlement](#) | Politico Pro

Mortgage servicing provider PHH Corp. agreed to pay the government more than \$74 million to resolve allegations that the company originated loans insured by government agencies that did not meet underwriting requirements, the Justice Department said today. From 2006 through 2011, PHH

failed to certify borrowers' qualifications for certain federal loans, the company admitted as part of the settlement.

### [A little-known aspect of deportations: foreclosures](#) | NPR

Research shows that deportations lead to higher rates of foreclosure among Latino communities. That's because the loss of an income for families – especially if it is the breadwinner who is detained – can make it harder for remaining family members to make mortgage payments.

### [Debt limit debate complicated by Fannie, Freddie dividends](#) | American Banker

## REGULATION IN GENERAL

### [Secrecy and Suspicion Surround Trump's Deregulation Teams](#) | NY Times

When President Trump ordered federal agencies to form teams to dismantle government regulations, the Transportation Department turned to people with deep industry ties. One appointee had previously lobbied the department on behalf of American Airlines. Another held executive roles for several electric and hybrid car companies regulated by the department. A third was a lawyer who represented United Airlines in regulatory matters.

By and large, the Trump administration has stacked the teams with political appointees, some of whom may be reviewing rules their former employers sought to weaken or kill. A full vetting of industry connections has been difficult because some agencies have declined to provide information about the appointees — not even their names.

### [House Democrats Call for Transparency in Trump's Deregulatory Panels](#) | The Hill

### [The United States Needs More Bureaucracy, Not Less](#) | Washington Post (Bruce J. Schulman)

Consider some of the enduring accomplishments of unelected bureaucrats. The National Highway Traffic Safety Commission established rules that reduced the mortality rate on U.S. roads and improved the fuel efficiency of American vehicles. Granted authority to establish standards for emissions and dumping, the EPA has overseen remarkable improvements in water and air quality.

For half a century, the Federal Deposit Insurance Corp. and Federal Savings and Loan Insurance Corp. oversaw commercial banking and mortgage lending in the United States. While regulations sometimes irked depositors (who longed for higher interest rates) and often upset lenders (who wanted to pursue riskier strategies than the regulators allowed), unelected experts stabilized the financial sector and helped underwrite decades of postwar prosperity. When Congress gave in to outside pressure and loosened the regulatory reins in the early 1980s, the savings and loans industry collapsed. Still, through that crisis and even during the Great Recession, the nation avoided bank runs and nobody lost deposits in insured accounts — real risks when these corporations were chartered in the 1930s.

### [The Regulation Myth](#) | Huffington Post (Steven Cohen)

I am not arguing that all regulations are good, but most studies indicate that regulation tends to provide far more benefit than cost to our society and economy. Individual businesses may suffer, and that leads to graphic stories about the evils of regulation. But in a real world of complex and possibly

dangerous new technologies, crowded cities, multiple interests and exponential information growth, we need rules of the road to keep the machine functioning.

[Judge Calls Trump's '2-for-1' Order a 'Shadow Regulatory Process'](#) | Politico Pro

## RETIREMENT INVESTMENT AND DOL FIDUCIARY RULE

[DOL fiduciary rule compliance costs exceed \\$4.7 billion: SIFMA study](#) | InvestmentNews

The brokerage industry will spend more than \$4.7 billion in start-up costs relating to the Department of Labor's new fiduciary rule, far exceeding the DOL's estimated costs for broker-dealers of \$2 billion to \$3 billion, according to a study issued Thursday by the Securities Industry and Financial Markets Association, a trade group representing Wall Street.

[Another fiduciary rule delay would cost retirement savers \\$10.9 billion over 30 years](#) | EPI Heidi Shierholtz

[Investor-protection rule is here to stay ... for now](#) | CNBC

[5th Circuit Panel Presses DOL on Fiduciary Rule](#) | NAPA Net

The fiduciary regulation got another day in court last week – and, for a change, this time the regulation's challengers appeared to draw blood. The setting was oral arguments before the 5th Circuit Court of Appeals, with the Labor Department making its case for the regulation challenged by a group of plaintiffs including the U.S. Chamber of Commerce, the Financial Services Institute and the Securities Industry and Financial Markets Association (SIFMA).

A decision on this case is not expected until fall, but court watchers (and listeners – an audio is available here) were nearly unanimous in inferring, both from the type and volume of questions directed at the Labor Department, that this might be the case where the agency might see its heretofore unbeaten streak in defending the fiduciary regulation at trial come to an end.

[Labor Department Delays Fiduciary Rule Implementation Date](#) | Reuters

The U.S. Department of Labor will give wealth management companies more time to get in line with the new "fiduciary rule," a regulation that requires financial advisers to put retirees' interests ahead of their own, the regulator said on Wednesday. Securities brokerages like Morgan Stanley and Bank of America Corp's Merrill Lynch now have until July 1, 2019, to present retirement savers with new contracts that spell out the fees brokers make on certain investment products or transition them into accounts that charge a flat fee based on assets. Those are just two steps that firms have said they are taking to meet the standards set out by the fiduciary rule, which was originally set to take effect on Jan. 1, 2018.

[When Brokers Want to Move Your Money Out of a Very Good Thing](#) | NY Times

This week, brought news of the Securities and Exchange Commission standing up for — wait for it — federal employees and their retirement money! The S.E.C. accused four brokers in Georgia and a firm they represented of fraud after they allegedly persuaded about 200 people to move money out of the plans and put the funds in expensive annuities, earning hefty commissions...

The Thrift Savings Plan, a defined-contribution plan similar to a 401(k) for civil servants and retirees, as well as military members, does nearly everything right. The investment choices are limited, and mostly include index funds that own every stock in a sector instead of trying to pick stocks that will do better than others. The overall costs are about as low as employer-based retirement savings plans get: In 2016, they were 38 cents for every \$1,000 someone had invested.

## STUDENT LOANS AND FOR-PROFIT SCHOOLS

### [‘No Timetable’ for New Gainful Employment Data](#) | Inside Higher Ed

The Department of Education has yet to provide institutions this year with lists of graduates from gainful-employment programs -- a preliminary step for calculating debt-to-earnings ratios that measure whether career training programs saddle students with debt they can't repay. The revelation, made by department officials last week in a written response to questions from Senator Dick Durbin, an Illinois Democrat, indicates that the department will be slow to release new gainful-employment data after delaying several provisions involving compliance by career education programs. The department released the first set of gainful-employment data in January of this year.

### [Judge Rejects Navient Bid to Throw Out CFPB Lawsuit](#) | Politico Pro

A federal judge is allowing the CFPB to proceed with its lawsuit that accuses the student loan servicing giant Navient of systematically cheating borrowers. U.S. District Judge Robert D. Mariani on Friday denied Navient's motion to dismiss the case, ruling that the CFPB has the authority to bring the lawsuit and that it properly outlined its complaint against the company. The complaint, filed by the CFPB on Jan. 18, accuses Navient of failing to properly apply borrowers' payments, failing to help borrowers enter into federal income-based repayment programs and deceiving private loan borrowers about releasing their co-signer from their loan.

### [For-Profit College Face Off with the Feds Over Vet Benefits](#) | Politico

Amid its battle with a state regulator, Ashford University is now sparring with the U.S. Department of Veterans Affairs over its ability to accept tens of millions of dollars in GI Bill education benefits. The primarily online for-profit college, which is owned by Bridgepoint Education, is accusing the VA of distributing "misinformation" to its student veterans — and company officials are urging students to call a White House hotline to complain about the VA.

### [Students of For-Profit Schools Struggle the Most Paying Student Debt](#) | The Buffalo News

Students who attended for-profit institutions struggled the most to pay down the principal on their student loans. For-profit schools also produced lower shares of students who earned annual incomes of at least \$25,000. Nearly 85 percent of 59 proprietary colleges in New York state had repayment rates below 50 percent; 16 of the schools had repayment rates of less than 25 percent. The rates for Cheryl Fells School of Business in Niagara Falls and Bryant & Stratton College in Buffalo were among the lowest in the state.

### [Stop Delaying Loan Help for Defrauded Students](#) | Charleston Gazette-Mail (editorial)

Not all colleges are created equal. Many are stalwarts of their community and churn out thousands of qualified graduates yearly. Others are on much shakier ground and end up crashing and burning, dragging lots of young people down with them.

Thousands of students, saddled with federal student debt, were left with nothing to show for their time and money. The Obama administration responded by approving more than 28,000 claims — worth about \$558 million — for loan forgiveness. Turns out, the current administration hasn't approved a single one of those claims since Donald Trump took office. Sen. Richard Durbin, D-Ill., released education department records recently showing the inaction. He criticized the department for a June decision to delay and rewrite the Obama administration rules that would have made it easier for these students to have their federal loans forgiven, The Associated Press reported.

### [U.S. to Help Remove Debt Burden for Students Defrauded by For-Profit Chain](#) | NY Times

Nearly 25 years after a nationwide chain of beauty and secretarial schools was closed for defrauding students, the Department of Education has agreed to help victims wipe clean their burdensome federal student loan debts. More than 36,000 students — mostly low-income, immigrant women — who attended schools run by Wilfred American Educational Corporation could potentially be affected by the settlement, which was approved by a federal court judge on Tuesday.

## SYSTEMIC RISK

### [The Financial Crisis, Ten Years On](#) | NPR (interview with David Wessel)

On August 9, 2007, a French bank, BNP Paribas, surprised everyone. This bank had taken money from investors and invested that money in subprime mortgages. BNP Paribas told their investors, you cannot take your money out because we have no idea what a subprime mortgage is worth anymore.

This was the moment that the subprime housing crisis in the U.S. crossed over into the global banking system. I mean, think about it. Some bank in Paris is discovering that they have a whole lot of mortgages from Detroit or Las Vegas, and they're so bad, they can't even put a price on them.

### [President Trump, Listen to Candidate Trump and Keep Volcker Rule](#) | The Hill (Andy Green and Tyler Gellasch)

"If he's happy, I'm happy," President Trump said during a 2015 interview in reference to former Federal Reserve Chairman Paul Volcker and the Volcker Rule. It seems like ancient history now, but President Trump campaigned on holding Wall Street accountable, even going so far as to embrace the Glass-Steagall Act, a Depression-era law that separated investment from commercial banking. Now, just months after being sworn in, the Trump administration is reportedly pushing the federal financial regulators to gut a modern version of the very law they once praised, the Volcker Rule.

### [Fed, FDIC Give Banks More Time to File 'Living Wills'](#) | Politico Pro

Regulators announced today they will give 21 domestic and foreign banks another year to file "living wills" intended to map out how they would unwind themselves in the event of bankruptcy. The Federal Reserve and Federal Deposit Insurance Corp. said they were giving the new Dec. 31, 2018, deadline to CIT Group, Citizens Financial Group and 19 foreign banks including Banco Santander, HSBC and Royal Bank of Canada.

## TAX POLICY

### [What Real Tax Reform Could Be](#) | NY Times (editorial)

Real reform would honestly confront the fact that in the next decade we will need roughly \$4.5 trillion more revenue than currently projected to meet our existing commitments without increasing the federal

debt as a share of the economy. Even more would be needed if the government were to make greater investments to lift productivity and living standards through education, infrastructure and scientific research. Real reform would do this by diversifying methods of taxation while targeting individuals and sectors best able to pay.

Over all, the richest 1 percent pay 33 percent of their total income in taxes; if rates were changed so they paid 40 percent, it would generate \$170 billion of revenue in the first year, according to the nonpartisan Tax Policy Center...

Revenue can also be raised by imposing a tax on the trading of stocks, bonds and derivatives. Such trading has mushroomed in recent decades, generating wealth for the top sliver of the population. Estimates show that a financial transaction tax of even 0.01 percent per trade (\$10 on a \$100,000 trade) could raise \$185 billion over 10 years, enough to finance prekindergarten for 3- and 4-year olds, with money left over.

## OTHER TOPICS

### [Banking Committee Members Leave Big Issues Looming in Washington](#) | Politico Pro

Senate Banking Chairman Mike Crapo (R-Idaho) said his top agenda items are housing finance reform and an "economic growth" bill that's expected to try to ease banking regulations. But Crapo hasn't resolved a more pressing matter — a bill reauthorizing the National Flood Insurance Program before it expires at the end of September. The committee has yet to mark up legislation as negotiations between committee members grind on. In addition to those bills and vetting Trump nominees, Crapo also wants to tackle legislation that would further strengthen sanctions on North Korea.

At the same time, he's facing pressure from Democrats to hold a hearing on the latest set of scandals involving Wells Fargo. But he's not yet committing to their request. It would be awkward timing as Senate Republicans try to advance legislation to block a Consumer Financial Protection Bureau rule prohibiting banks from imposing arbitration clauses on their customers.

### [Treasury sued for not releasing FOIA information](#) | PoliticoPro

American Oversight, an ethics watchdog group, filed a lawsuit to force the Treasury Department to release emails between its officials and the House Financial Services Committee, challenging Chairman Jeb Hensarling's effort to keep the messages confidential.

In a filing today in the U.S. District Court for the District of Columbia, American Oversight said Treasury is violating the Freedom of Information Act by refusing to release information the watchdog group requested.

In April, Hensarling sent a letter to at least 12 Trump administration agencies — including Treasury — instructing them that communications between his committee and those agencies should not be released under FOIA, American Oversight alleged.

The group said it submitted two FOIA requests to Treasury in May seeking communications with Hensarling's committee regarding financial regulation, communications about Hensarling's directive, and any Treasury policies regarding the handling of FOIA requests. Treasury acknowledged the requests but did not respond or provide the requested records, American Oversight said.