



This Week in Wall Street Reform | July 22 — 28, 2017

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TRUMP ADMINISTRATION AND WALL STREET

[Senators Concerned Icahn Is Influencing Regulators on AIG](#) | NY Times

Two prominent U.S. Democratic senators are raising questions about President Donald Trump's special adviser, Carl Icahn, asking in a letter on Thursday if the activist investor is attempting to persuade the government to lift its "too big to fail" tag from insurer American International Group. On Friday, the Financial Stability Oversight Council, comprising the chiefs of U.S. financial regulatory agencies, will discuss AIG's designation as a "systemically important financial institution," commonly known as one that is "too big to fail." In an agenda for the meeting, the council did not say which institution it will discuss. However, there are only two non-banks designated as so large and interconnected that they would ruin the financial system if they failed - AIG and Prudential Insurance. The labels trigger stricter oversight and greater capital requirements.

[Warren investigates Icahn's influence on AIG SIFI designation](#) | PoliticoPro

[Dems grill Trump bank regulator nominees](#) | The Hill

Two of President Trump's financial regulatory nominees faced tough questions from Democrats over their Wall Street work at a hearing Thursday before the Senate Banking Committee. Joseph Otting, Trump's nominee for Comptroller of the Currency, and Randal Quarles, who has been nominated to serve on the Federal Reserve Board as vice chairman of supervision, would play major roles in fulfilling Trump's promise to "dismantle" Dodd-Frank Act banking regulations. While they are likely to be approved by the Republican-led committee, Democrats grilled the two.

[Scaramucci Still Stands to Profit from SkyBridge from the White House](#) | Politico Pro

Anthony Scaramucci finally has his White House job, but he still stands to profit from an ownership stake in his investment firm SkyBridge Capital. The incoming White House communications director earned \$4.9 million from his ownership stake in SkyBridge in addition to more than \$5 million in salary between Jan. 1, 2016, and the end of June, when he joined the Export-Import Bank, according to a financial disclosure filed with the Office of Government Ethics. The disclosure form hasn't been previously reported.

The disclosure highlights the extensive wealth Scaramucci has accumulated in his career — much like many of Trump's other top advisers and cabinet secretaries — and also the challenge he faces in extracting himself from the potential conflicts his investments could pose. The SkyBridge website continues to advertise Scaramucci as its managing director, despite the fact that he has been a

government employee for more than a month. A SkyBridge spokeswoman said Scaramucci stepped down from the executive post Jan. 17, when the company's sale was announced. He remained an employee of the firm, collecting salary, until starting at Ex-Im last month.

[Quarles aims to refine post-crisis rules; Otting proud of time at OneWest](#) | PoliticoPro

Public opposition to Quarles and Otting had been relatively muted up until this past week, but progressive groups have lined up in recent days to oppose both. **Americans for Financial Reform** criticized the Fed nominee for failing to take action to prevent the financial crisis. "Mr. Quarles was an important part of the GW Bush financial regulatory team that missed the signs of the oncoming financial crisis and failed to take effective action as Wall Street risks grew out of control," the group said in a letter to senators. "He has shown no evidence that he has learned sufficiently from this failure."

[Quarles Discloses Wells Fargo Stocks, Loans](#) | Politico Pro

Randal Quarles, nominated to be the Federal Reserve's vice chairman of supervision, disclosed more than \$1 million in Wells Fargo stock plus a line of credit and two mortgages with the nation's third-largest bank. In a financial disclosure form, Quarles reported investments in Wells Fargo, JPMorgan Chase, U.S. Bancorp. and M&T Bank.

The private equity investor and former Treasury official disclosed interests in additional banks, software and health care companies as well as a hotel and a restaurant. His liabilities include the obligations with Wells Fargo, including a line of credit valued at more than \$1 million and two mortgages with the bank. He also reported a line of credit with Morgan Stanley valued at \$1 million to \$5 million.

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

ARBITRATION RULE

[House votes to kill new bank arbitration rule in blow to federal consumer agency](#) | LA Times

The GOP-led House voted 231 to 190, almost entirely along party lines, to undo the rule by invoking the Congressional Review Act, which allows Congress to repeal newly enacted federal rules. The House resolution now goes to the Senate and, if approved there, to President Trump.

Only one Republican, Rep. Walter Jones of North Carolina, voted against killing the rule, and no Democrats voted in favor — a sign of the deep partisan divide over financial regulation in general and the powers of the CFPB in particular.

[House Votes to Repeal Consumer Arbitration Rule](#) | The Hill

The House voted Tuesday to repeal a controversial new rule from the Consumer Financial Protection Bureau (CFPB) that would have protected consumers' rights to sue banks in class-action lawsuits. Lawmakers voted 231-190 to repeal the rule using the Congressional Review Act, a law that allows Congress to eliminate regulations within 60 days of their release and bars agencies from issuing similar rules in the future. Only one Republican, Rep. Walter Jones (N.C.), joined Democrats in voting against repeal. The repeal resolution will now move to the Senate. Republicans will need near-unanimous support from their slim majority to pass it in the upper chamber.

President Trump is expected to sign the bill if it reaches his desk. The White House said Monday it “strongly supports” the repeal effort. The effort to repeal the arbitration rule is only the flashpoint in a long-running fight between Republicans and the CFPB.

See statements on House vote by [Americans for Financial Reform and Public Citizen, Alliance for Justice, Allied Progress, Center for Responsible Lending, Consumer Federation of America, Leadership Conference on Civil and Human Rights, NAACP Legal Defense Fund, National Consumer Law Center, and Wisconsin Working Families](#).

See [Storify](#) on outpouring of social-media support for the Consumer Bureau’s rule.

See letter from [20 state Attorneys General](#).

[Let Consumers Sue Banks](#) | USA Today (editorial)

Many of the biggest financial institutions bury a clause in the fine print of agreements requiring a customer to use private arbitration. Why? Because they can. Most people never read the lengthy contracts that come with their accounts. And financial institutions love arbitration. The private system, originally meant for business vs. business disputes, shields financial institutions from class action lawsuits that can unleash embarrassing publicity about deceptive or unfair practices, force them to stop such rip-offs, and require them to pay millions of dollars to injured customers.

This month, the Consumer Financial Protection Bureau issued a rule that would prohibit banks, payday lenders, credit card issuers and others from robbing customers of their right to join class actions. Ultimately, the payoff from class actions is not the small check an individual may get, but the revelations of the rip-offs and the pressure they place on companies to stop cheating consumers. When companies know they may be sued for millions, they are less likely to mistreat customers. A few thousand dollars awarded secretly in an arbitration does not provide the same incentives.

[Consumers Notched a Big Win Against Fine Print 2 Weeks Ago. The House Just Voted to Roll It Back](#) | Time (Megan Leonhardt)

[House Votes to Strip Bank & Credit Card Customers of Constitutional Right to a Day in Court](#) | Consumerist

[Republicans Vote Against Financial Protections](#) | Falls Church News-Press

[How This New Rule Prevents Your Bank From Ripping You Off](#) | American Banker (Jeff Sovern)

True, Wells Fargo has chosen to settle one of the fake-account cases as a class action (while still trying to force arbitration in others). But it is the rare case that receives the degree of publicity and public pressure that the Wells Fargo case has. Moreover, the threat of forced arbitration undoubtedly helped the bank negotiate a lower settlement with the plaintiffs. In another case involving unfair and fraudulent practices to increase overdraft fees, Wells Fargo (the lone big bank still fighting these charges) is trying to defeat a decadelong 49-state class action by forcing one-by-one arbitrations.

[Tell Crapo to keep financial protection](#) | Idaho-Press Times (letter to the editor)

When I served in the Marines as a Judge Advocate, Marines would come to me for legal advice. Often these Marines would have financial problems with their bank, credit card company or other lenders. Many of these Marines could not get relief in the court system because they were forced into

arbitration based on the fine print in a contract. Most of them gave up and paid the disputed fees and interest rather than fight when they knew they were being taken advantage of.

[Even if you win in arbitration, you still lose](#) | Baltimore Sun (Joseph Mack)

But when [servicemember] Prentice [Martin-Bowen] walked outside one day, the car was gone...But because of a forced arbitration clause in the fine-print contract, they were kicked out of court.

[Wall Street's Washington Friends Aim to Kill New Consumer Protection](#) | Huffington Post (Sarah Anderson)

Most people only learn about these clauses when they become the victim of illegal financial behavior. Not surprisingly, very few people who get ripped off by fraudsters even bother spending their time and energy on arbitration. According to the CFPB, only 75 consumers with claims under \$1,000 pursued arbitration during the three-year period 2010-2012. We'll never know how many other wronged consumers just dropped their complaints, allowing financial criminals to keep billions in stolen money.

[New Wells Fargo Scandal Harms GOP Effort to Nix CFPB's Arbitration Rule](#) | American Banker

Republican efforts to repeal the Consumer Financial Protection Bureau's arbitration rule were dealt a significant blow Friday by Wells Fargo's admission that it improperly forced borrowers to pay for unnecessary auto insurance policies.

Some of Wells' auto loan contracts contain arbitration clauses, a spokesman said, which could become a further lightning rod in the ongoing dispute over whether customers should be allowed to band together in class action lawsuits...

"We believe the odds are now slightly against the CFPB's mandatory arbitration rule being reversed as the path to passage in the Senate has narrowed," wrote Isaac Boltansky, a policy analyst at Compass Point Research & Trading, in a note Friday. "A CRA reversal is still possible, but it is no longer probable."

[Protecting Ohioans From Wall Street Scams](#) | Advertiser-Tribune

[Congress Could Undo Rule That Makes It Easier for Financial Fraud Victims to Sue Banks](#) | Bangor Daily News

[GOP Denying You Day in Court](#) | My San Antonio

[Shield Consumers](#) | Times-Tribune

[The GOP Wants to Deny You Your Day in Court](#) | Winona News

[Sen. Al Franken on Consumer Protection Rule](#) | Grand Rapids Herald Review

[Even If You Win in Arbitration You Still Lose](#) | Baltimore Sun (Joseph Mack)

[House votes to cancel CFPB rule favoring class-action suits in finance](#) | Washington Examiner

[Congress Should Not Interfere with Americans' Day in Court](#) | Washington Examiner (Melissa Stegman)

[Consumer Bureau's New Rule will Better Protect Consumers from the Abusive Financial Companies](#) | Las Vegas Review-Journal (Jean R. Sternlight)

Sen. Dean Heller is leading the charge to overturn a rule, just issued by the Consumer Financial Protection Bureau, that would prove very helpful to Nevada consumers if allowed to survive... Unfortunately, Sen. Heller has put the interests of banks and financial service companies over those of Nevada consumers, co-sponsoring legislation to eviscerate the new regulation...

[House Republicans Vote to Repeal CFPB Rule That was Called Gift for Class Action Lawyers](#) | Legal Newsline

[New CFPB Rule – a Poster Child for Regulation](#) | ACS Blog

[Will Congress Help Companies Use Forced Arbitration to Undercut Consumers?](#) | Chicago Tribune (editorial)

The Consumer Financial Protection Bureau — the consumer watchdog created after the financial crisis — has just finalized a rule that will prohibit banks from using forced arbitration clauses with class-action bans. But Wall Street lobbyists are trying to rig that game too; their supporters in Congress have just filed fast-track resolutions to block the CFPB rule. A current lawsuit against Wells Fargo points to why companies are trying every trick in the book to ensure that customers are denied their legal rights — and why the courts and Congress shouldn't let them get away with it. If Wells Fargo is allowed to force its customers — most of whom are among the poorest and most vulnerable in their communities — into individual arbitration, the bank could keep up to \$1 billion in fees it illegally obtained from customers outside of California. While the courts decide the fate of millions of Wells Fargo's consumers, Congress will decide the rules of the game for the future. Both the courts and Congress should make Wells Fargo play fair and let consumers have their day in a court.

[Consumer Bureau Moves to Allow Suits Against Banks](#) | Andover Townsman

Deirdre Cummings, legislative affairs director for the Massachusetts Public Interest Research Group, said the practice is widespread in banking, and it affects anyone with a credit card or bank account. The GOP-controlled Congress, which is targeting the Dodd-Frank Wall Street Reform and Consumer Protection Act that created the consumer bureau, wants to dilute the agency's authority and subject it to White House and congressional oversight. Sen. Ed Markey, D-Mass., said the rule "ensures that individuals harmed by the same corporate misconduct, but who alone could not take on a big business, can band together to vindicate their rights."

[3 Ways Consumer Legal Rights are Under Attack in America](#) | Mic.com

[Consumers Looks for Satisfaction with Updated Financial Rule](#) | BlackPress USA (Charlene Crowell)

On July 10, a long-awaited rule to remedy this dilemma was announced by Richard Cordray, director of the Consumer Financial Protection Bureau (CFPB). A forceful and vocal coalition of civil rights, organized labor, consumer advocates and others had pushed for the rule to further address economic ills suffered disproportionately by consumers of color. Cordray said, "Our research showed that these little-known clauses are bad for consumers. They may not be aware that they have been deceived or discriminated against or even when their contractual rights have been violated." Civil rights organizations were swift to speak up in support. "By leveling the playing field between corporations and individuals, this rule is an important step towards addressing the economic inequality that is so

closely intertwined with racial injustice in the United States,” said Todd Cox, policy director for the NAACP Legal Defense and Educational Fund, Inc. For policy advocates, the attempt to undo the lengthy and thoughtful process CFPB used in developing its arbitration rule is a step backwards, instead of forward. Whether it’s a payday loan, a credit card or maybe even a mobile phone, no consumer who has been financially harmed should be denied the right to seek some satisfaction and financial justice.

[What’s All This Fuss About Arbitration?](#) | BPHH Report

[CFPB’s Arbitration Rule No Favor for Consumers](#) | New American (Veronique DeRugy)

The latest example of CFPB overreach comes in the form of a rule prohibiting financial services companies from including binding arbitration clauses in their contracts. This is a misguided decision for several reasons. What’s more, the CFPB further waved away all the academic literature that establishes the effectiveness of arbitration and discounted its own data showing that arbitration more often compensates consumers faster -- and with larger awards -- than class action suits.

[Who is killing the CFPB’s arbitration rule?](#) | Center for Public Integrity (Jared Bennett)

The financial industry’s hefty investment in the campaigns of House members appeared to pay off this week when that chamber voted to kill a new rule that allows consumers to file class-action lawsuits against banks and other institutions...

Blocking the rule has been a priority of the financial industry since it was first suggested in the [Dodd-Frank Wall Street Reform and Consumer Protection Act](#) passed in response to the 2008 financial meltdown. But killing the rule will also require the Senate to act as the House did.

To fight the CFPB, the financial industry has spent millions cultivating relationships with lawmakers such as Rep. Keith Rothfus, R-Pa., who sponsored the resolution to undo the CFPB arbitration rule. Since Rothfus was first elected to Congress in 2009, he has received more than \$971,000 from financial institutions — \$389,990 from securities and investment firms; \$316,767 from insurance firms, which sell financial products; and \$264,714 from commercial banks, [according](#) to the nonpartisan Center for Responsive Politics (CRP). On average, House members receive \$163,702 from the financial sector, CRP reported.

Rothfus also enjoys the support of the [Club for Growth](#), the self-described “leading free-enterprise advocacy group in the nation.” The group has given Rothfus \$183,428 during his political tenure — [more than double](#) the amount from his next highest donor, Federated Investors Inc.

[We Won’t See You in Court: The Era of Tort Lawsuits Is Waning](#) | Wall St. Journal

Americans, reputed to be the most litigious people in the world, are filing far fewer lawsuits. Fewer than two in 1,000 people—the alleged victims of inattentive motorists, medical malpractice, faulty products and other civil wrongs—filed tort lawsuits in 2015, an analysis of the latest available data collected by the National Center for State Courts shows. That is down sharply from 1993, when about 10 in 1,000 Americans filed such suits.

A host of factors are fueling the decline, including state restrictions on litigation, the increasing cost of bringing suits, improved auto safety and a long campaign by businesses to turn public opinion against plaintiffs and their lawyers. Arbitration may be siphoning some tort cases from the courts. Judges have steered personal-injury claims out of court based on mandatory-arbitration clauses contained in

contracts entered into by patients, employees, home buyers and others, according to Elizabeth Thornburg, a law professor at Southern Methodist University in Dallas.

CFPB AND CONSUMER FINANCE

[Wells Fargo Forced Unwanted Auto Insurance on Borrowers](#) | NY Times (Gretchen Morgenson)

More than 800,000 people who took out car loans from [Wells Fargo](#) were charged for [auto insurance](#) they did not need, and some of them are still paying for it, according to an internal report prepared for the bank's executives.

The expense of the unneeded insurance, which covered collision damage, pushed roughly 274,000 Wells Fargo customers into delinquency and resulted in almost 25,000 wrongful vehicle repossessions, according to the 60-page report, which was obtained by The New York Times. Among the Wells Fargo customers hurt by the practice were military service members on active duty.

Wells Fargo, one of the largest banks in the United States, is struggling to repair its image after a scandal in which its [employees created millions of credit card and bank accounts](#) that customers had never requested. That crisis, which came to a head last year, toppled Wells Fargo's chief executive and led to millions of dollars in fines.

The bank also stands accused of having [made improper adjustments](#) to the terms of the home loans of customers who were in bankruptcy, which Wells Fargo denies.

[Battle Is on Over Government's Version of Yelp for Banks](#) | Wall St. Journal

A government complaint database popular with consumers has become the latest battleground for efforts to curb the Consumer Financial Protection Bureau's authority. The public database run by the bureau draws thousands of complaints about companies each week. But businesses say it spreads unverified negative information about them. Now the Trump administration wants to make the information private, saying the information isn't sufficiently verified by the government. Critics say the move would weaken a tool for consumers and businesses to resolve disagreements.

Since its launch in 2011, the complaint-filing system has grown rapidly, becoming a leading online deposit of consumer complaints on financial products and services. Consumers so far have submitted 1.2 million complaints—of which more than 800,000 are publicly searchable—on issues such as mortgages, credit reporting and debt collection.

[CFPB to Act Fast on Payday Rule Ahead of Likely Cordray Exit](#) | American Banker

The Consumer Financial Protection Bureau is moving quickly to release a rule regulating payday lenders by the fall in a final push before the widely expected departure of Director Richard Cordray. The CFPB's decision to finalize its arbitration rule earlier this month has bolstered the effort to finish the controversial payday rule, because it's not clear Republicans will have the necessary votes to repeal either regulation. Though the House voted Tuesday to nullify the CFPB's arbitration rule using the Congressional Review Act, Republicans face obstacles in the Senate, where more than two GOP defections could sink the effort. The political calculus by the CFPB appears to favor moving forward with the payday rule while there is a brief window of opportunity.

See [press release](#) from House Financial Services Committee Democrats about the Military Consumer Protection Act

See NCLC's [press release](#) on prepaid card fees for unemployed workers

[Waters: 'Dodd-Frank Is the Best Thing That Ever Happened to Consumers'](#) | **Washington Free Beacon**

Democratic Rep. Maxine Waters (D., Calif.) said Tuesday that Republicans have advanced a faulty argument about the government over-regulating the economy. Waters took aim at Republicans' use of the Congressional Review Act, or CRA, to deregulate financial transactions at a press conference with House Minority Leader Nancy Pelosi (D., Calif.) and Sen. Elizabeth Warren (D., Mass.). She dismissed concerns that regulations hurt community banks, specifically touting the Dodd-Frank Act's benefits for consumers. "Dodd-Frank is the best thing that ever happened to consumers," Waters said.

She went on to praise the Consumer Financial Protection Bureau, or CFPB, whose rules the three lawmakers were defending at the press conference. Waters advocated regulation by saying that protecting consumers would not be possible without the six-year-old agency.

[Regions adds secured credit card as part of play for underbanked](#) | **American Banker**

Similar to other secured cards, Regions' new Explore Visa card requires users to deposit at least \$250, but no more than \$5,000, into a special linked savings account that essentially functions as a security deposit and a credit limit on the card.

Regions already offers a number of products and services geared toward underbanked consumers, including check cashing, small-dollar loans and prepaid cards, and many of those customers had been asking the bank to develop a credit card product as well, said Rajive Chadha, the head of retail products and payments at the \$125 billion-asset Regions.

[Rent-a-Bank \(Madden\) Bill Introduced](#) | **PoliticoPro**

[OCC files motion to dismiss state regulator suit against fintech charter](#) | **PoliticoPro**

[Pennsylvania Attorney General Launches Consumer Financial Protection Unit](#) | **Housing Wire**

While there is a serious push in Washington, D.C. to blunt, if not do away with the CFPB, Pennsylvania's Consumer Financial Protection Unit will be led by one of the attorneys that helped found the agency. According to Shapiro's office, the state's new financial watchdog will be run by Nicholas Smyth, who was the CFPB's fourth employee and served as assistant director of the Office of Attorney General's Bureau of Consumer Protection (the precursor to the CFPB).

DERIVATIVES, COMMODITIES, AND THE CFTC

[Wall St. Regulatory Panel Soon Down to Sole Board Member](#) | **Washington Post**

After more than three years helping lead one of the country's most powerful Wall Street regulators, Sharon Bowen is ready to step down. Her pending departure from the Commodity Futures Trading Commission will leave the five-member board with just one member. And that is a problem for a panel responsible for regulating some of the country's most complex financial markets.

It is also a problem for President Trump. This week, his administration again reiterated its pledge to rid the government of cumbersome regulations it contends are strangling business. But the task is proving difficult to achieve, because many regulations are written to enforce congressionally authorized laws

and the White House cannot unilaterally remove them. And even in the areas where the administration has the power, it needs to write new rules to replace old ones.

[CFTC Approves First Bitcoin Options Exchange](#) | Politico Pro

ENFORCEMENT

[U.S. FINRA Names New Enforcement Chief, Reorganizes Oversight](#) | Complinet

Then U.S. Financial Industry Regulatory Authority on Wednesday promoted its acting enforcement director to head an expanded operation that combines market surveillance and member-firm oversight for the first time. The consolidation of the units was the result of the self-regulatory organization's review of its operations, FINRA360, its self-evaluation and improvement initiative under Robert Cook, who assumed leadership last year after the departure of founding chief Richard Ketchum. FINRA said it has promoted Susan Schroeder, a long-time Wall Street lawyer who was deputy enforcement chief, to lead the combined enforcement units.

EXECUTIVE COMPENSATION

[Trump's Move on Wall St. Pay too Late for Bankers](#) | Wall St. Journal

Trump administration regulators have signaled they want to abandon long-simmering plans to further regulate pay on Wall Street. But aspects of the Dodd Frank law passed in 2010 under President Barack Obama along with changes in the economics of the banking industry have already resulted in tighter compensation controls. Portions of the Dodd-Frank mandate—including making pay more sensitive to risk and long-term results—have made it into guidelines adopted by the Federal Reserve and other agencies. Banking groups have said their members follow the guidelines, but Washington and Wall Street have wrangled for years over whether they need to be locked in with formal rules.

[The Pay Debate: Are Sky-High CEO Salaries Bad for Business?](#) | Bloomberg BNA (Jacquie Lee)

Despite the public outcry and union opposition, new research is showing the opposite: Paying chief executives tens or even hundreds of millions of dollars can be a good investment in the company.

FEDERAL RESERVE

[Brainard: Fed should have more diversity](#) | PoliticoPro

INVESTOR PROTECTION AND THE SEC

[SEC's Clayton Indicates Support for Limiting Shareholder Proposals](#) | Politico Pro

Securities and Exchange Commission Chairman Jay Clayton on Wednesday signaled he is open to limiting shareholder proposals, suggesting that such efforts by activist investors are often not in a company's best interests.

Speaking at the Chamber of Commerce, which wants the SEC to restrict shareholder proposals, Clayton was asked about the costs that companies face from such proposals. Pension funds, religious organizations and other investors often pressure corporate board directors to make uncomfortable changes ranging from executive compensation to climate change disclosure. Clayton did not offer an

opinion on any of the Chamber's seven recommendations for shareholder proposals that the business lobbying group released on Tuesday. Instead, he said: "Anytime that there are deeply held views by a few people, but it gets spread over a lot of people, you have a tendency to not look at who's bearing those costs. It is very important for us to ask ourselves how much costs should the client shareholder, the ordinary shareholder, how much should they bear for idiosyncratic interests of others," he said.

[Trump Eyes Columbia Professor for SEC Seat](#) | Wall St. Journal

[FINRA settles with Deutsche, three others over automated-trading supervision; fines total \\$4.75 million](#) | Complinet

The Financial Industry Regulatory Authority on Thursday said it settled charges with four firms over alleged failures in oversight of automated orders from clients that are initiated over automated trading systems. FINRA warned firms of the danger of having inadequate controls to oversee the direct trading clients' activities.

[Warner introduces Senate companion to 'valid when made' bill](#) | PoliticoPro

Congressional efforts to overturn a court decision that could eliminate billions of dollars in resold loans are picking up momentum.

A bill to solidify that bank loans, if legally made, can be resold and collected on by nonbank entities at the same interest rate will be introduced by Sen. Mark Warner (D-Va.), a member of the Senate Banking Committee. Sens. Steve Daines (R-Mont.), Gary Peters (D-Mich.), and Pat Toomey (R-Pa.) are expected to co-sponsor the measure.

[What to Expect from the 'New' SEC](#) | Lexology

New SEC Chairman Clayton's first public speech was on July 12th at the Economic Club in New York and at the outset he explicitly stated that wholesale changes to the Commission's fundamental regulatory approach would not make sense. He said the SEC has to evolve, use technology and innovation in ways that are going to improve regulatory efficiencies. He said the SEC needs to look beyond just mere rule adoption and said it should review its rules retrospectively to make sure they're working as intended. He said the SEC needs to coordinate with other regulatory players including the CFTC on derivatives issues. The one thing he's done that is fairly concrete is on June 1st he issued a request for information asking for comments on potential rules governing fiduciary obligations.

MANAGED FUNDS

[Private Equity Doesn't Deserve Its Bad Reputation](#) | Bloomberg (Noah Smith)

MORTGAGES AND HOUSING

[Meet Your New Landlord: Wall Street](#) | Wall St. Journal

A new breed of homeowners has arrived in this middle-class suburb of Nashville and in many other communities around the country: big investment firms in the business of offering single-family homes for rent. Their appearance has shaken up sales and rental markets and, in some neighborhoods, sparked rent increases.

The buying spree amounts to a huge bet that the homeownership rate, which currently is hovering around a five-decade low, will stay low and that rents will continue to rise. The investors also are wagering that many people no longer see owning a home as an essential part of the American dream. “The rental stigma has really subsided,” says Michael Cook, operations chief at closely held Streetlane Homes, which owns about 4,000 houses. “People are realizing that houses are not necessarily the best places to store wealth.”

[HUD Ignored Procedures in Selling Distressed Mortgages, Report Says | NY Times](#)

For years, the mortgage sales have drawn criticism from housing advocates and some legislators on Capitol Hill. They have raised concerns that the sale of soured mortgages simply hastened the foreclosure process for tens of thousands of cash-strapped borrowers.

Now, a recent report from the Office of Inspector General could add to that chorus of criticism. And it may present a new legal avenue for some affected homeowners to try to stave off a pending foreclosure.

[Mortgage Data Holds Lenders Accountable | Urban Milwaukee](#)

Owning one’s home is considered part of the American Dream, a dream that predatory lending shattered for as many as 10 million families who lost their homes between 2006 and 2014 during the foreclosure crisis and resulting recession. In response to widespread predatory lending and other unfair practices, Congress passed the Dodd-Frank Act, which created the Consumer Financial Protection Bureau (CFPB), and updated the Home Mortgage Disclosure Act (HMDA) to require lenders to report and disclose more about their loan underwriting practices. HMDA data shows the characteristics of the people who are getting the loans, as well as who is being denied loans and for what reasons. Dodd-Frank’s additional reporting requirements include information on loan pricing; loan terms and conditions, such as prepayment penalties and adjustable rates; and additional home loan types such as reverse mortgages and home equity lines of credit. Having access to HMDA data is critically important to tracking fair lending practices in Milwaukee and across the country. Looking at that data shows us where there are gaps and where redlining is taking place.

Several bipartisan bills have been introduced in Congress to exempt most lenders from having to report the additional information about their home lending. There are also other efforts to repeal or delay the new HMDA requirements.

REGULATION IN GENERAL

[It’s Not Just Banks Anymore. Democrats Want to Break Up All Kinds of Big Business | Washington Post](#)

Democrats have a new message for American workers: Giant corporations are holding back the economy by cutting back on investment and hiring, and the party is going to put a stop to it. The pitch for stricter enforcement of antitrust laws — preventing firms from getting too big and penalizing or dissolving those that are using their size to shut out rivals — is full of lines that will come naturally to Democratic candidates on the stump. Free competition is a basic principle of American capitalism that could appeal to small business and independent voters, while a forceful attack on corporations, a familiar villain, might animate the party’s base.

[State AGs Suing Federal Agencies Over Rule Rollbacks](#) | Bloomberg BNA

Democratic attorneys general, following the Republican playbook, are banding together to file lawsuits challenging federal agencies as they roll back Obama-era regulations. "That's the role we're going to be playing—very hard on that—and I think that we're going to have a pretty receptive federal judiciary," said Karl Racine, attorney general of the District of Columbia and co-chairman of the Democratic Attorneys General Association, a political organization. To the extent that the Trump administration seeks to change regulations on the environment, water, food safety, financial services and the like, Democratic AGs will make sure it does so in an appropriate and legal way, Racine said. And in the U.S. justice system, appropriate and legal doesn't mean immediate, arbitrary, capricious, without any justification or without any assertion of facts, Racine said. Racine spoke at an event hosted by the Center for American Progress, a liberal-leaning research and educational institute, about the impacts of President Donald Trump's deregulatory agenda.

[Lobbying in High Gear With Prospect of Regulatory Reform in Congress](#) | Center for Responsive Politics (Kennett Werner)

[Spring Regulatory Agenda Puts Corporations First](#) | Economy Policy Institute (Marni von Wilpert and Samantha Sanders)

RETIREMENT INVESTMENT AND DOL FIDUCIARY RULE

[Jay Clayton says SEC, DOL can give market 'clarity' on fiduciary rule](#) | InvestmentNews

In an appearance at the U.S. Chamber of Commerce in Washington, Mr. Clayton acknowledged that the partially implemented DOL fiduciary rule "is on the books," but said he is concerned about differing rules for the same clients depending whether they're working with their adviser on retirement or other investments.

"That doesn't seem right," Mr. Clayton said. "We have our mandate; they have theirs. But I'm very hopeful that we can reach common ground. There's enough overlap in our mandates where we can get to a place of clarity. I think that we all want the same thing: We want what's best for the Main Street investor to save for their retirement."

[New Push to Delay DOL Fiduciary Rule Until 2020](#) | Forbes

What's another year or two in the Department of Labor fiduciary rule saga? The Obama-era retirement investor protection rule has been on the drafting table since 2010. Today, in response to a DOL request for information, the Investment Company Institute, a trade group representing financial services firms opposed to the rule, asked the DOL to delay parts of the rule from going into effect until Jan. 1, 2020.

The basic rule went into effect June 9, but with no teeth—the enforcement provisions were postponed until Jan. 1, 2018. Now the ICI is asking the DOL in comments to immediately—by August 15—extend the upcoming Jan. 1, 2018 applicability date for parts of the rule that aren't yet in effect, including contract disclosures and enforcement provisions, until Jan. 1, 2019. Also, the ICI is asking the DOL to simultaneously announce that it expects to finalize changes to the rule and relevant exemptions by Jan. 1, 2019—and requests that any changes won't take effect until at least Jan. 1, 2020—one year after they are finalized.

[How the 'Fiduciary Rule' Affects Investors](#) | NJ.com (Eleanore Szymanski)

[Broker-Turned-Senator: Preserve DOL Rule](#) | Barron's

U.S. Senator Gary Peters, D-Mich., has a unique perspective on efforts to kill the DOL fiduciary rule: He's a former broker, writes InvestmentNews. Peters wants to change the rule rather than scrapping it. That view "represents the challenge financial industry opponents have in winning over Democrats to support legislation moving in the House that would kill the regulation," writes InvestmentNews.

Two House bills killing the rule face a Senate filibuster unless eight Democrats cross party lines. "We have to deal with the reality of what we have now," Peters tells the publication. "We have a rule in place. I don't want ideology to drive the debate."

[Massachusetts regulator blasts SEC's Piowar over fiduciary rule](#) | InvestmentNews

Citing the "horrific financial abuses associated with conflicted advice in the area of retirement rollovers" in a [letter to the Department of Labor](#), Massachusetts' securities regulator William Galvin criticized recent comments by SEC Commissioner Michael Piowar and reiterated his support for the DOL's fiduciary rule.

"Retirees have been fodder for unscrupulous brokers for years upon leaving their place of employment and rolling-over their retirement assets," wrote Secretary of the Commonwealth William F. Galvin, adding "I am therefore dismayed that a sitting SEC Commissioner would so forcefully join with industry to attack the rule. Business groups looking to capitalize on Piowar's comments are already using them to their advantage."

[DOL Fiduciary Rule Causing DC-plan Record Keepers to Change Business with Insurance Agents](#) | Investment News

[Your Robo-Adviser May Have a Conflict of Interest](#) | Bloomberg

Robo-advisers offer the promise of impartial investment guidance, but the newest ones may not be totally immune from Wall Street's ways. Wealth management units at big U.S. banks including Morgan Stanley and Bank of America Corp. have rushed to build so-called robo-adviser services. The products, which were pioneered by online upstarts Wealthfront Inc. and Betterment LLC, use algorithms to pick investments tailored to a customer's appetite for risk. They cut out a lot of the costs of working with flesh-and-blood financial advisers, and, it would seem, some of their biases.

But it turns out that even software-based financial advisers can have conflicts of interest. Banks still employ armies of advisers and get payments from fund companies that want access to those advisers' clients. There's a risk that the banks' robo programs could favor mutual funds and exchange-traded funds from companies that make such payments, according to disclosures by the banks.

STUDENT LOANS AND FOR-PROFIT SCHOOLS

[For-profit Schools Are Closing Fast, But Trump Could Change That](#) | Vice News

The for-profit schools that saddled millions of students with billions in debt — and left taxpayers on the hook — are closing their doors fast, thanks to a set of Obama-era federal rules. Like much of the U.S. higher education system, for-profit schools are heavily reliant on federal student aid to enroll students. But as student debt ballooned to more than \$1.3 trillion during and after the Great Recession,

regulators began to scrutinize the disproportionately bad outcomes experienced by students enrolled in for-profit schools — setting off a series of scandals and closures involving some of the biggest entities in the industry.

But the decline in for-profit schools was thanks to an Obama-era regulatory effort that's still producing results. But for how long? The industry is expected to make a comeback under President Donald Trump, who himself agreed to pay roughly \$25 million to settle lawsuits related to the now-defunct Trump University in January. And Education Secretary Betsy DeVos has put on hold Obama-era regulations that levied financial penalties on schools that engaged in fraudulent activities, such as publishing misleading advertisements about their job placement rates.

[**GI Bill Unanimously Passes House, Heads to Senate**](#) | **Inside Higher Ed**

The House voted unanimously late Monday to approve a new GI Bill that would expand access to higher education for veterans, those wounded on the battlefield and the surviving family members of troops killed in combat. The measure will significantly expand access to education for veterans who become eligible for benefits after 2018.

The legislation would remove a 15-year cap to “use or lose” tuition assistance and instead allow veterans to access the educational benefit at any time for life. The bill would also open up qualifications for tuition assistance to more reservists who deploy on active duty, to Purple Heart recipients no matter the amount of time they served and also to surviving family members of veterans who die in the line of duty.

[**Concerns of Misrepresentations and Abusive Recruitment at Local College**](#) | **KGNS (Texas)**

Brightwood College in Laredo is continuing operations after their accrediting organization lost recognition from the U.S. Department of Education. Brightwood College is also one of many for-profit colleges no longer accredited by the Accrediting Council for Independent Colleges and Schools, or ACICS. The decision was reached back in September after it was found that the accrediting organization was not in compliance with regulatory criteria. One of the concerns written in a letter to the Senior Department official recommending termination of recognition cites concerns with misrepresentations to prospective students and abusive recruiting.

[**For-Profit Graduate Schools Popular with Black Women**](#) | **Inside Higher Ed**

[**Student-loan forgiveness has halted under Trump**](#) | **Associated Press**

[**Trump administration is sitting on tens of thousands of student debt forgiveness claims**](#) | **Washington Post**

[**Trump Administration Has Approved No Borrower Defense Claims**](#) | **Inside Higher Ed**

[**Minnesota high court: For-profit schools made illegal loans**](#) | **Miami Herald**

[**Who Is Betsy DeVos?**](#) | **NY Magazine**

SYSTEMIC RISK

[Mnuchin: Volcker Rule, 'Too Big to Fail' Set for Changes | Wall St. Journal](#)

The Trump administration is working with bank regulators to roll back postcrisis rules, Treasury Secretary Steven Mnuchin said Thursday, namely the Volcker rule and the system of determining which financial firms are considered "too big to fail." Testifying before the House Financial Services Committee, Mr. Mnuchin said he is set to discuss potential regulatory relief moves on Friday at a meeting of the Financial Stability Oversight Council, a group of federal financial regulators that he chairs. The meeting is likely to focus on streamlining the Volcker rule barring banks from certain types of trading.

[Mnuchin: Bank Regulation Threshold Should Be Raised to At Least \\$250 Billion | Politico Pro](#)

Treasury Secretary Steven Mnuchin said today that a \$50 billion asset threshold in Dodd-Frank that subjects banks to stricter regulation should be raised to at least \$250 billion or \$300 billion, and he suggested that some larger banks should also receive easier treatment. Mnuchin made the recommendation at a House Financial Services Committee hearing in response to a question from Chairman Jeb Hensarling (R-Texas).

"It should be raised substantially, at least to \$250 or \$300 billion," Mnuchin said. "I would go further, saying that simple, uncomplex banks, the regulators should be able to exempt above that. That doesn't mean that those banks shouldn't be regulated. Those banks will be regulated. They will be regulated by the primary regulator, and they will be regulated properly."

[Regulators Say They Won't Enforce 'Volcker Rule' for Foreign Banks | Wall St. Journal](#)

U.S. regulators told foreign-owned banks they won't take action against them for holding certain types of investments for the next year during a review of the regulation dubbed the "Volcker rule." The move, made Friday, affects a relatively narrow piece of the rule, but shows the five U.S. agencies in charge of enforcing the rules are willing to be flexible as they evaluate potential changes to it. Congress also is looking at changing the regulation, part of the 2010 Dodd-Frank financial-overhaul law, which celebrated its seventh birthday Friday.

The rule, named after former Federal Reserve Chairman Paul Volcker, was created to rein in what some policy makers viewed as excessive risk-taking by Wall Street banks. It bars banks from trading unless on their customers' behalf and restricts their investments in hedge and private-equity funds.

[Federal Reserve Streamlines Aspects of Volcker Rule Compliance | Complinet](#)

The Federal Reserve announced Monday that it was streamlining part of its Volcker Rule compliance regulations, providing guidelines to banks seeking more time to start up and spin off new hedge funds and private equity funds. The Volcker Rule, named after former Federal Reserve chairman Paul Volcker, is part of the Dodd-Frank legislation introduced after the 2008 financial crisis, that seeks to restrict U.S. banks engaging in certain kinds of speculative investments, and is often referred to as a ban on proprietary trading by banks. The Federal Reserve Board published new guidelines on Monday detailing how banks could apply for an extension for more time to complete a "seeding" investment in a hedge fund or private equity fund, before selling off its ownership as mandated by the Volcker Rule. The Federal Reserve Board also said it would be allowing its 12 regional banks to approve those extension requests in most cases.

[Fed Advises Banks Seeking Extension for Seed Investments Under Volcker Rule](#) | Politico Pro

The Federal Reserve today provided guidance for banks looking to continue providing funding to help a new hedge fund or private equity fund get off the ground past the one year allowed under the Volcker rule. Banks can seek up to a two-year extension for "seeding" investments for a covered fund if they explain the reasons for the extension and say how they plan to conform the investment long term to requirements under the regulation. The Volcker rule restricts bank ownership of certain funds. Federal Reserve banks are deputized to approve, but not reject, such applications.

The Fed can act on its own to issue these conformance guidelines because the 2010 Dodd-Frank Act gave the central bank jurisdiction over that part of the regulation. This is the second action by regulators in less than a week to provide flexibility under certain fund ownership requirements under the Volcker rule. Last week, all five agencies with jurisdiction over the rule gave foreign banks a one-year reprieve on action against ownership of certain funds.

[Quarles Endorses Increased Stress Test Transparency](#) | Politico Pro

Federal Reserve nominee Randal Quarles today endorsed increasing transparency around the central bank's annual stress test process, speaking to a longstanding complaint by large banks that participate. Senate Banking Chairman Mike Crapo cited a number of changes suggested by former Fed Gov. Daniel Tarullo and enumerated by Crapo, such as changing the \$50 billion threshold, simplifying the Volcker rule and revisiting the backup capital rule known as the supplementary leverage ratio.

Quarles, who is nominated as the Fed's point person on regulation, said he agreed with all of those. "One important area that wasn't mentioned in that list was transparency, I would want that to be a theme of the Federal Reserve's regulatory activity were I confirmed for this position," he told the Banking Committee at his confirmation hearing.

['Too-Big-To-Fail' Issues Just Got Bigger](#) | The Hill (Allan D. Grody)

TAX POLICY

[Tax Reform Negotiators Plan Sneak Peek at Plans on Friday](#) | Politico Pro

The "Big 6" tax reform group, composed of White House officials and congressional leaders, plans to release a broad-brush tax proposal on Friday before the House leaves for its August recess, according to six sources close to the administration, lobbyists and former Republican congressional staffers. More of a messaging document than a detailed policy blueprint, the plan is meant to present a unified front on tax reform after the Republicans' mixed and often fractured messages on its health care bills.

The plan is also intended to give outside conservative groups the push they need to spend millions of dollars during the August recess to build momentum for any tax overhaul and help the White House sell its message. It's unclear how that document will treat the border adjustment tax on imports — a Ryan pet project and a key way to pay for deep cuts to tax rates — that the White House has long viewed as a non-starter. Instead, the plan is expected to lay out broad principles the group hopes to see as part of tax reform, such as a lower corporate rate and a shift to a territorial tax system that would require U.S.-based multinationals to pay U.S. tax only on income they earn domestically. It will also lay out the next steps in the process by handing the detailed policy work over to the tax-writing committees.

OTHER TOPICS

[Democrats Launch Economic Agenda Ahead of 2018 Campaign](#) | POLITICO

Democratic leaders in the House and Senate will unveil a broad economic agenda Monday, hoping to unite the disparate wings of their caucuses and win back working-class voters who fled the party last year. “The number one thing that we did wrong is we didn’t tell people what we stood for,” Senate Minority Leader Chuck Schumer (D-N.Y.) said Sunday on ABC’s “This Week.”

To fill that void, Democrats are adding pitches aimed at battling corporate overreach to an economic platform that already includes a trillion-dollar infrastructure plan and paid family leave. Party leaders are also proposing a new independent agency to oversee prescription drug prices similar to the Consumer Financial Protection Bureau launched by Sen. Elizabeth Warren as well as an independent “competition advocate” that would police corporate mergers.

Democrats are launching the agenda under the slogan “A Better Deal,” which POLITICO reported earlier this month. It’s designed as a nod to Franklin D. Roosevelt’s “New Deal,” which helped usher in the modern-day Democratic Party, and also as a dig at Trump, who bills himself as the world’s greatest deal-maker.

See the Senate Democrats’ [webpage](#) on “Better Deal” economic agenda

[Henry Kaufman Sees Tough Path to Wall Street Culture Reform; Role for Regulators](#) | **Complinet**

Turning back the clock to a time when Wall Street executives were accountable for their firms’ misdeeds and took client fiduciary duty as a core principle is an idea worth pursuing, according to Henry Kaufman, former Salomon Brothers chief economist, who over his long career has witnessed numerous upheavals in American finance. However, the path to cultural reform is strewn with obstacles, some of which perhaps only government can remove. Among the largest roadblocks to cultural change, said Kaufman, 90, who now runs his own advisory firm, is the concentration of financial activity among U.S. institutions and the dominance of trading and investment banking in their business models. “The structure of the financial markets has changed,” said Kaufman, who met recently with Regulatory Intelligence in a wide-ranging interview.