CONSUMER FINANCE AND CFPB

**Costly Loans Are Drawing Attention From States**
Jessica Silver-Greenberg and Rachel Abrams, NY Times, 3/18/14

“The Consumer Financial Protection Bureau is investigating a range of lenders that offer short-term loans to borrowers across the country. Among them is the World Acceptance Corporation. In a filing with the Securities and Exchange Commission last week, World Acceptance disclosed that it was under investigation by the bureau for potential violations of consumer protection and fair-lending laws. World Acceptance’s filing stated that it ‘believes its marketing and lending practices are lawful.’

“Regulators in at least 21 states have taken aim at lenders tied to Native American tribes. Relying on those ties, the lenders contend they are part of the ‘sovereign nation’ — a status that insulates them from federal and state laws.”

**Judge Sides with FTC in Payday Lending Case**
Rachel Abrams, New York Times, 3/19/14

“A United States District Court judge has reinforced the Federal Trade Commission’s authority to go after payday lenders that claim their ties to Native American tribes make them immune to laws restricting high-cost loans.

“The judge, Gloria M. Navarro of the Federal District Court in Nevada, said that the agency was within its rights to pursue its case against one such lender, AMG Services, which the commission accused of misleading borrowers desperate for cash.

“The decision comes as federal and state authorities are increasingly cracking down on payday lenders, which issue short-term loans tied to a borrower’s paycheck.”

**Gov’t Wins Case Against Online Lender that Charged 684% Interest**
Alan Zibel, Wall Street Journal, 3/19/14

**Hensarling Requests CFPB Open Doors**
American Bankers Association, 3/18/14

“Jeb Hensarling (R-TX), Chairman of the Financial Services Committee is calling on CFPB Director Richard Cordray to open its advisory group meetings to the public. Hensarling said:

“‘Instead of operating behind closed doors, it’s time for the CFPB to live up to its oft-stated commitment to transparency and openness. In the interest of true, genuine transparency and open government, Director Cordray can and should use ‘Sunshine Week’ to take immediate steps that bring the CFPB into the sunlight.”
GE Consumer Finance Unit Faces Two Federal Probes
Ted Mann and Alan Zibel, Wall Street Journal, 3/17/14

Did the CFPB Run a Stop Sign?
John L. Culhane, Jr., JDSupra, 3/14/14
“As we previously reported, last Friday House Financial Services Committee Chairman Jeb Hensarling (R-TX) sent a letter to CFPB Director Richard Cordray asking for a response by March 13 to specific questions about the methodology and analyses employed by the CFPB in determining whether dealer finance charge participations violate the Equal Credit Opportunity Act and Regulation B. As far as we have been able to tell, the CFPB has not yet responded to that letter. Stay tuned.”

Consumer Contracts Should Not Be Secrets
Theresa Amato and Jeff Sovern, The Hill, 3/18/14
“Recently the Consumer Financial Protection Bureau issued its first report on credit cards since Congress passed the CARD Act of 2009. The Bureau identified some concerns, but it should have included another: making sure consumers can easily obtain all credit card terms before applying for a credit card.

“Federal law requires credit card companies to provide the Bureau with copies of their agreements for posting on a web site open to the public and to tell consumers financial terms (interest rates, late fees, and the like). But not all important credit card contract provisions are financial. For example, federal law does not mandate advance disclosure of forced arbitration clauses that take away consumers’ rights to have their day in court and join with others to hold credit card issuers accountable for cheating consumers. Consequently we set out to discover -- before obtaining the card -- whether the dispute terms of a single credit card contract contained binding arbitration.”

DERIVATIVES, COMMODITIES, AND THE CFTC

CFTC's Bart Chilton to Step Down on Friday
Andrew Ackerman, Wall Street Journal, 3/17/14
Bart Chilton: An Exit Interview
Zachary Warmbrodt, PoliticoPro (paywalled), 3/21/14
“Q: What surprised you?
“A: The influence of some of the most powerful financial institutions in the world was something I had underestimated. Their impact upon policy is and has been profound. They certainly have every right to be involved in government and make their voices heard. At the same time, they've influenced policy in a disproportionate and sometimes negative fashion, in my view.

“Q: How can the CFTC deal with that?
“A: Independent commissions are unique by nature in that once you’re confirmed you can’t be fired. So, commissioners themselves have some protection. At the same time, the influence that Congress has upon the agency through the purse strings or through legislation is also significant. And where the confluence of power gets perverted at times is when campaign contributions directly or indirectly influence policy positions that may not be in the public interest. I’ve seen that happen a lot.

“Q: Have you gotten any intel on why the White House didn’t ask for more money this time around?
“A: It’s incomprehensible to me why this administration backpedaled on funding of this agency. They were either right last year when they requested $315 million, or they were right this year at
$280 million. But that also means they were wrong one time. I think they were wrong this time. Their budget is inadequate to fund the resource needs of the agency. And by the way, this little agency that could, with a $205 million budget, brought in $1.7 billion, with a “b”, dollars, in settlements for LIBOR manipulation. We are a profit center for this government, but the appropriators don’t look at it like that because of their budget rules. It’s a shame.”

**JPMorgan to Sell Commodities Unit for $3.5 Billion**
*Michael J. De La Merced, New York Times, 3/19/14*

“Wall Street banks, facing tighter scrutiny from regulators, are moving to get out of the business of physical commodities trading. On Wednesday, JPMorgan Chase took a big step in that direction, announcing that it had agreed to sell its physical commodities trading unit to the Mercuria Energy Group, a rapidly growing Swiss trading firm, for $3.5 billion in cash.

“The Volcker Rule, part of the sweeping Dodd-Frank financial regulatory overhaul, restricts the ability of banks to trade for their own accounts. That extends to limits on some commodities trading.”

**What Is Mercuria?**
*Rachel Abrams, New York Times, 3/19/14*

**Is This the End for JPMorgan's Blythe Masters?**
*Sheelah Kolhatkar, Bloomberg Businessweek, 3/19/14*

“The deal means that America’s largest banking conglomerate will no longer be in the business of holding physical oil and gas and storing aluminum, copper, and steel with the aim of making money trading those commodities. What is less clear is what the transaction means for Masters, who has long been one of JPMorgan’s highest-profile and most controversial executives.”

**JPMorgan Commodities Sale Shows Trading's Opacity**
*Kevin Allison And Antony Currie, New York Times, 3/20/14*

**CFTC Fires Back at Industry in Cross-Border Swaps Fight**
*Emmanuel Olaoye, Complinet, 3/17/14*

“The Commodity Futures Trading Commission has fired back in its fight with the swaps industry over its rules for regulating global swaps transactions. In December, three trade groups -- the Securities Industry Financial Markets Association, the International Swaps and Derivatives Association and the Institute of International Bankers -- sued the CFTC over its cross-border swaps rules, which were issued last July with immediate effect. The guidance would generally let the overseas branches of U.S. banks follow foreign swaps regulations, as long as they are roughly comparable to U.S. rules. However, two subsequent advisories issued on Nov. 14 and 15 amended that guidance by expanding the scope of the CFTC's rules to include swaps that were negotiated in the United States, even if the trades were booked offshore and outside of the U.S. marketplace. Industry groups contend this could lead to duplicative or contradictory requirements for trade execution, clearing and reporting.”

**Hedge Fund Risk Management Faces Scrutiny at U.S. CFTC Meeting**
*Silla Brush, Bloomberg, 3/18/14*

“Hedge-fund and mutual-fund firms will face scrutiny of their risk-management practices in a meeting today with the top U.S. derivatives regulator.

“The Commodity Futures Trading Commission staff is scheduled to meet in Washington to discuss funds’ controls for risks tied the firms’ investments and operations, as well as to regulations. The CFTC regulates futures markets and has been expanding oversight of the swaps market under the 2010 Dodd-Frank Act financial-regulation law.
“The discussion is the latest step by regulators to increase oversight of asset managers. The U.S. Financial Stability Oversight Council, which includes the heads of the Federal Reserve and Securities and Exchange Commission, is studying whether New York-based BlackRock Inc. and Boston’s Fidelity Investments should be designated systemically important financial institutions.”

CFTC Seeks Comment on Improving Swaps Data Stream
Andrew Ackerman, Wall Street Journal, 3/19/14

CFTC Expected to Delay Planned Overseas Derivatives Trading Restrictions
Andrew Ackerman, Wall Street Journal, 3/18/14
“The CFTC, the main U.S. derivatives regulator, is likely to put off restrictions on derivatives trading in Europe set to go into effect March 24, according to a person familiar with the matter. It was unclear how long the delay would last.

“A delay would reflect efforts by the CFTC, under new leadership, to ease tensions with overseas counterparts as global policy makers seek a coordinated set of international rules for derivatives trading. European officials have complained the CFTC moved too aggressively to apply U.S. rules overseas and have pushed for more time to develop their regulations…

“At issue is whether U.S. banks operating overseas should have to follow U.S. swaps rules abroad. Under an agreement last month between the CFTC and the European Union’s executive arm, U.S. firms could trade swaps on European platforms as long as those systems are governed by rules largely similar to those in the U.S.”

U.S. Senators Urge CFTC Action On Position Limits
Ros Krasny, Reuters, 3/14/14

ENFORCEMENT

FDIC Sues 16 Big Banks For Rigging LIBOR Rates
Nate Raymond and Aruna Viswanatha, Reuters, 3/14/14
“The Federal Deposit Insurance Corp sued 16 of the world’s largest banks on Friday, accusing them of cheating dozens of other now defunct banks by manipulating the Libor interest rate.

“The global financial institutions broke certain swaps contracts they had entered into with the now-closed banks, by separately colluding to rig the Libor rate to which the contracts were tied, the FDIC said.

“Some of the banks accused in the lawsuit, including Barclays Plc and UBS, have already paid some $6 billion to resolve charges from U.S. and European authorities that they worked to manipulate benchmark interest rates.”

BofA, Citigroup, Credit Suisse Sued by FDIC Over Libor Rigging
Bob Van Voris and Jesse Hamilton, Bloomberg, 3/15/14

Traders of Tips Meet at Grand Central, and Eat the Evidence
Ben Protess, New York Times, 3/19/14
EXECUTIVE COMPENSATION

Gold for Executives; Contempt for Taxpayers
Gerald Scorce, The Hill, 3/13/14
“Jamie Dimon took high heat over his 74 percent mega-raise, but he’s not at fault. The blame goes to a 1993 boondoggle for bigwigs—a boondoggle that’s cost taxpayers by the billions ever since. Congress should call a halt, and the country’s mood could push it to do just that…

“In August 2013, Sens. Jack Reed (D-R.I.) and Richard Blumenthal (D-Conn.) introduced the Stop Subsidizing Multimillion Dollar Corporate Bonuses Act. Blunt title, blunt purpose: ‘This legislation would close a major loophole in current corporate tax law by putting an end to unlimited tax write-offs on performance-based executive pay.’ Rep. Lloyd Doggett (D-Texas) introduced a House version of the Reed-Blumenthal bill earlier this year. ‘Most Americans,’ Doggett said, ‘would probably be surprised to learn that multimillion dollar executive bonuses are currently tax write-offs.’"

Barclays Grants $53 Million in Shares to Top Executives
Chad Bray, New York Times, 3/18/14

A Credible Strategy to Fix Barclays
Dominic Elliott, New York Times, 3/18/14

FEDERAL RESERVE

The Fed Was Supposed to Rein In Its Bailout Powers. Instead It Did This.
Erika Eichelberger, Mother Jones, 3/13/14
‘Dodd-Frank says that any future emergency lending by the Fed can't be used to bail out insolvent firms, has to be backed by good collateral, and can't go to a single institution. The law also imposes time limits on the Fed's emergency loans to banks. The draft rule that the Federal Reserve released in late December (before current Fed chair Janet Yellen was confirmed) misses the mark on all these requirements, Marcus Stanley, the policy director for the advocacy group Americans for Financial Reform (AFR) said in a letter to the Fed this week, adding that though the rule ‘complies with the letter of the law, it does not fulfill the spirit of the Congressional mandate…’

“Before the Fed finally drafted its emergency lending rules, financial reformers said the central bank was likely dragging its feet because it didn't want to cede some of its authority over the financial world. This latest lukewarm effort to rein in its bailout abilities makes it seem like that may be the case.”

Frictions Show In Financial Reform
Darrell Delamaide, USA Today, 3/18/14
“Susan Collins, the moderate Republican senator from Maine, is a bit fed up with the Fed. She wrote an amendment that was incorporated into the Dodd-Frank financial reform act as Section 171 regarding capital requirements for financial institutions, designed to guard against the ‘too big to fail’ situation that required government bailouts in the financial crisis.

“In formulating the requirement, however, she had no intention of subjecting insurance companies to exactly the same capital standards as banks, since they have a different business model and their insurance activities are regulated at the state level… The Fed, however, remains unconvinced that according to the letter of the law they have much discretion in allowing different standards for insurers than for banks.”
**HIGH-SPEED TRADING**

*Inquiry Into High-Speed Trading Widens*
*William Alden, New York Times, 3/18/14*

“The New York attorney general, Eric T. Schneiderman, is expanding his crackdown on the high-frequency traders that dominate financial markets. Mr. Schneiderman announced on Tuesday that he was scrutinizing services that allow fast traders to profit on important information before other investors even see it. He urged regulators and stock exchanges to curb some of these practices, which help foster what he terms ‘insider trading 2.0.’

“The attorney general has zeroed in on the exchanges, including the New York Stock Exchange and Nasdaq, that permit high-frequency traders to pay to put their computer servers within the exchanges’ data centers. The practice, known as co-location, shaves milliseconds off the time it takes them to receive market information.”

*High-Speed Trading Firms Face New U.S. Scrutiny*
*Scott Patterson and Jenny Strasburg, Wall Street Journal, 3/18/14*

“The probe is focused on complicated, often opaque incentive programs that give high-volume trading firms financial benefits such as discounts on fees the exchanges charge to execute trades, the people said.

“Separately, Securities and Exchange Commission enforcement officials are investigating whether stock exchanges provide advantages to certain clients, including high-frequency traders, by designing software programs that can give preferential treatment to their orders, and whether such details have been fully disclosed, people familiar with that inquiry said.”

*New York’s Schneiderman Seeks Curbs On High-Frequency Traders*
*Karen Freifeld, New York Times, 3/18/14*

*High-Speed Trading Faces New York Probe Into Fairness*
*Keri Geiger and Sam Mamudi, Bloomberg, 3/18/14*

*News Release Distributor to Stop Selling to High-Speed Traders*
*William Alden, New York Times, 3/19/14*

*High-Speed Trading Inquiry Is Going Nowhere Fast*
*Editorial, Bloomberg, 3/20/14*

“New York Attorney General Eric Schneiderman has set himself the noble goal of making financial markets safer for the small investor. Unfortunately, his latest foray into the world of high-frequency trading will achieve little or nothing toward that end.”

*SEC Said Examining Hidden Electronic Bond Trading Prices*
*Lisa Abramowicz, Bloomberg, 3/20/14*

“The practice of dealers showing clients different prices for the same securities on electronic bond-trading platforms is drawing the scrutiny of the U.S. Securities and Exchange Commission, which is concerned that smaller investors are being penalized.

“SEC regulators want to understand why brokers sometimes block their rivals and clients from seeing some of their prices for municipal, corporate and other bonds, according to a person with direct knowledge of the examination. They’re examining whether being able to turn quotes on and off allows market manipulation, and whether smaller buyers are given worse prices, the person said.”
INVESTOR PROTECTION AND THE SEC

1 in 5 Senior Citizens Fall for Financial Scams
Susan Antilla, The Street, 3/17/14

“Law enforcement officials and advocates for the elderly are increasingly alarmed at the rising incidence of financial abuse of senior citizens. The Investor Protection Trust, an investor information organization, said in 2012 that one out of every five citizens over the age of 65 had been victimized by a financial scam. People over 60 made up the largest age group reporting fraud to the Federal Trade Commission last year: 27% were 60 or older, up from 22% in 2011.

“While elder financial abuse is in some respects nothing new in the annals of fraud, the aging of the baby boom generation and Americans’ increasing longevity are coming together in a perfect storm that could cause the problem to skyrocket. A 2010 survey by the Metropolitan Life Foundation estimated that victims of elder financial abuse lost at least $2.9 billion in 2010, up 12% from 2008. Experts say it will only get worse.”

Government Credit Crisis is Over - So Where are the Ratings Upgrades?
Marc Joffe, Expected Losses, 3/17/14

Don’t Hamper Competition Among Credit Rating Agencies
Roel Campos, The Hill, 3/18/14

MORTGAGES, FORECLOSURES & HOUSING

CFPB Considering Action on Zombie Foreclosures
Michael S. Waldron, CFPB Monitor, 3/18/14

“According to a Reuters report, a CFPB official, speaking at a Federal Reserve Bank of Cleveland conference last week, stated that the CFPB is beginning to take a close look at abandoned properties and ‘zombie’ foreclosures. The term ‘zombie’ foreclosure refers to a situation in which a borrower has moved out of a home after the lender has started a foreclosure but, because the lender did not complete the foreclosure, title was never officially transferred and remains with the borrower who may be unaware that the foreclosure was never completed. Because the borrower is still the titleholder, the borrower remains responsible for maintaining the home as well as paying taxes and other costs.”

Big Banks Finish Paying $20 Billion In Mortgage Settlement, Report Says
Danielle Douglas, Washington Post, 3/18/14

“The nation’s largest banks have met their obligations to provide relief to struggling homeowners under the $25 billion national mortgage settlement, the landmark agreement to clean up shoddy foreclosure practices.

“On Tuesday, the court-appointed monitor of the settlement said Bank of America, JPMorgan Chase, Wells Fargo, Citigroup and Ally Financial had all completed their requirements to offer various types of aid to borrowers, including allowing them to refinance or lowering the balance of their loan.”

Monitor: Banks Fulfill Relief Duty in Foreclosure-Abuse Agreement
E. Scott Reckard, LA Times, 3/18/14
Mortgage Servicer to Pay $268 Million to Californians
E. Scott Reckard, Los Angeles Times, 3/17/14

Where Have All The Mortgages Gone?
Laurie Goodman and Jun Zhu and Taz George, Urban Institute, 3/6/14
“… A deeper dive into the numbers explains the decrease (and speaks to the urgency of expanding the credit box). New and existing home sales dropped over the last 11 years, meaning there are fewer purchases that could potentially be financed by a mortgage. Sales volume rose from 6.3 million units to 8.4 million units between 2001 and 2005, then took a steep fall to 5.0 million units by 2012. But this 20 percent decrease accounts for less than half of 2001-2012’s new purchase mortgage decline.

“An increase in all-cash purchases, a sign of investor activity in the housing market, explains the bulk of the decrease in purchase mortgages. CoreLogic numbers indicate that from 2001 to 2007, the share of cash sales crept from 18 percent up to 23 percent, before soaring to 39 percent in 2012 (see figure below). This increase coincides nearly exactly with the decrease in purchase mortgages. Thus, the drop in first-lien mortgage purchases is reflective of the concurrent decline in home sales and increase in the cash-only share.”

Wells Fargo Foreclosure Manual Under Fire
Danielle Douglas, Washington Post, 3/17/14
“Wells Fargo created an elaborate guide for how to produce missing documents to foreclose on homeowners, according to a lawsuit that has caught the attention of state and federal regulators.

“The bank denies wrongdoing, but the allegations rekindle claims that lenders, including Wells Fargo, used forged and shoddy paperwork during the recession to quickly foreclose on struggling homeowners, a practice known as ‘robo-signing.’ Those charges led to a $25 billion national mortgage settlement that was supposed to put an end to such abusive practices, but bankruptcy lawyer Linda Tirelli says nothing has changed.”

HUD Issues Proposal to Avoid FHA Loans From Being Prohibited Starting Next Year
Richard J. Andreano, Jr., JDSupra, 3/14/14

Groups Sue Gov. Brown Over Mortgage Settlement Funds
Tim Logan, Los Angeles Times, 3/14/14
“Three community groups sued Gov. Jerry Brown on Friday, demanding he restore more than $350 million in mortgage settlement funds that were used to plug state budget holes two years ago.

“The money — from California’s slice of the $25 billion national mortgage settlement with banks in 2012 — was supposed to fund housing counseling and foreclosure relief programs. But with the state facing a $16-billion budget deficit that spring, Brown diverted it to the state's general fund and to pay down interest on housing bonds.”
STUDENT LOANS AND FOR-PROFIT COLLEGES

Proposal Sets Stage for Gainful Fight
Michael Stratford, Inside Higher Ed, 3/17/14
“The Obama administration’s unveiling Friday of a proposed set of rules aimed at clamping down on career education programs, mostly at for-profit colleges is, in some ways, just the latest flashpoint in a years-long battle with the controversial sector of higher education.

“But the proposed rules also tee up what is expected to be another round of voracious debate and intense lobbying to influence the final regulations that the administration plans to issue by November, so that they will take effect next July.”

Revised ‘Gainful Employment’ Rule Breaks Little New Ground
Kelly Field, Chronicle of Higher Education, 3/14/14
“The Education Department released a revised ‘gainful employment’ rule late Thursday, a little less than two years after a federal judge threw out the original measure, calling portions of it ‘arbitrary’… Under the new proposal, programs would fail if their graduates' student-loan debt payments exceeded 12 percent of their incomes and 30 percent of their discretionary incomes, the same ratios as in the original rule and the draft considered by negotiators this past fall.”

5 Things to Know About the Proposed Gainful-Employment Rule
Goldie Blumenstyk, Chronicle of Higher Education, 3/14/14

Will Your Degree Get You A Good Job? US Proposes Test For For-Profit Colleges
Stacy Teicher Khadaroo, Christian Science Monitor, 3/14/14

Barack Obama Cracks Down On For-Profit Colleges
Stephanie Simon and Caitlin Emma, Politico, 3/14/14

For-Profit Colleges Call New Obama Administration Rules Unfair
Julia Edwards, Reuters, 3/14/14

New “Gainful Employment” Proposal Sparks Criticism
Ben Wolfgang, Washington Times, 3/16/14
“The Obama administration is facing a torrent of criticism over its new ‘gainful employment’ rule, a sweeping regulation designed to crack down on for-profit colleges, while protecting taxpayer money from being wasted.

“The for-profit sector, along with Republicans and some Democrats on Capitol Hill, have slammed the new proposal, arguing it will eliminate higher-education opportunities for many Americans at a time when well-trained workers are needed more than ever.”

Protecting Students or Waging War? New Rule Threatens ForProfits
Allie Bidwell, US News, 3/14/14
“While the Department of Education says the so-called ‘gainful employment’ regulations are intended to protect students from ‘predatory’ for-profit colleges and ensure students are well-prepared to enter the workforce, the Association of Private Sector Colleges and Universities (APSCU) – the lobbying arm of the for-profits – says the administration is unfairly targeting the private sector’s involvement in postsecondary education.

"'This really is evidence of an ideological declaration of war against the private sector’s involvement in the delivery of postsecondary education, and most importantly the students we serve,’ Steve Gunderson, president of the APSCU, said in a call with reporters Friday. ‘For
years we have tried to work constructively with this administration and the department in good faith. It is clear the department was never interested in constructive input or ensuring that student access is protected.”

7 For-Profit College Vocational Programs that Could be Slashed Under New Regulations
Molly Hensley-Clancy, Buzzfeed, 3/15/14

Impact Estimates for the Gainful Employment NPRM
Ben Miller, Ed Central, 3/14/14
“The U.S. Department of Education released its latest draft of the gainful employment regulation this morning. You can read the text here and a summary here. In this post, we'll take a closer look at the estimated impact of this iteration.

“The latest data file provided by the Department has information on 7,934 programs. This includes 4,420 programs with both debt-to-earnings and program cohort default rate data, 2,395 with only default rates, and 1,119 with only earnings information. As the table below shows, 16 percent, or 1,300 of all programs would fail one or both of the new tests, 8 percent would be in the zone, and 75 percent would pass.”

Federal Rules Make It Harder for For-Profit Colleges to Rip Off Students
Editorial, Sacramento Bee, 3/10/14

SYSTEMIC RISK

Most Large Banks in U.S. Could Cope in Event of Turmoil, Fed Says
Michael Corkery, New York Times, 3/20/14
“Nearly all of the nation’s largest banks have adequate capital to withstand a severe economic downturn and market turmoil, the Federal Reserve has found in its latest annual stress test of the United States financial system.

“The results, which were released Thursday afternoon, showed a banking system that has substantially healed since the 2008 financial crisis.

“But as the legacy of that crisis recedes, the Fed is testing out new risks on the banks’ balance sheets, like potential damage from rapidly rising interest rates. It is a situation that is becoming less far-fetched in light of the Fed’s moves to curtail its stimulus campaign.”

Banks Await Stress-Test Results
Stephanie Armour, Wall St Journal, 3/19/14
“The tests, mandated by the Dodd-Frank law and released at 4 p.m. Eastern Time, will cover 30 bank holding companies with $50 billion or more in assets. The central bank will gauge whether the largest U.S. banks have enough capital to keep lending in a hypothetical economic downturn. The results measure whether financial firms have adequate buffers to withstand losses and avoid a government bailout.”

New York Fed Chief Expresses Concern on New Leverage Rule
Peter Eavis, NY Times, 3/20/14
“An influential New York bank regulator has privately raised concerns in recent weeks about a proposed rule that seeks to make the nation’s largest banks safer, frustrating other regulators who see it as a centerpiece of a financial system overhaul and want it to take effect swiftly."
William C. Dudley, president of the Federal Reserve Bank of New York, expressed his concerns to senior officials at the Federal Reserve in Washington, according to three people who knew about his efforts. The rule, proposed last July and known as the supplementary leverage ratio, would put a stricter cap on the amount of borrowing that the biggest banks can do. Mr. Dudley raised the possibility that the rule could inhibit the Fed’s ability to conduct monetary policy, these people said. They spoke on the condition of anonymity.”

Nearly All Top U.S. Banks Could Withstand Severe Recession, Fed Says
Jim Puzzanghera, Los Angeles Times, 3/20/14

Wall Street’s March Madness: What To Know About Bank Stress Tests
Halah Touryalai, Forbes, 3/19/14

The Stress Test Results in One Chart
Wall Street Journal, 3/20/14

The Too Big To Fail Banks Aren’t Safe Yet
Nick Goodway, Evening Standard (UK), 3/18/14

Fund Firms Say Too-Big-to-Fail Label Would Hurt Investors
Christopher Condon and Dave Michaels, Bloomberg, 3/17/14

Report Pegs Volcker Costs at Up to $4.3 Billion
Alan Zibel, Wall Street Journal, 3/20/14
“The Volcker rule is projected to cost major U.S. banks up to $4.3 billion, due largely to the lost value of investments in certain debt instruments, a federal bank regulator said Thursday.

A study released by the Office of the Comptroller of the Currency found that Volcker rule, which bars banks from trading with their own money, will cost between $413 million and $4.3 billion.

“The 46 OCC-regulated banks most-impacted by the rule have combined assets of $8.7 trillion… Regulators said there is high degree of uncertainty about the rule’s impact because it is not clear how much it will affect the market for investments in collateralized loan obligations and collateralized debt obligations.“

The New Lenders In Town
Jeff Golman, Forbes, 3/20/14
**OTHER TOPICS**

**The Bankers Behind FDR and The Glass-Steagall Act**
Nomi Prins, Fortune, 3/19/14

“History says a lot about what we see today. In the wake of the most recent financial crisis, we have had no such patriotic or populist alignment, not from presidents Bush or Obama, nor from bank leaders who routinely converse directly with them. Rather than creating anything as stabilizing as the Glass-Steagall Act, or being a world leader in addressing and restricting unnecessary systemic risk, our political-financial complex has promoted an unprecedented, anti-free market, bank-assistance program. Scores of lawyers and lobbyists with marching orders from Big Six bank chairmen rendered the most recent attempt at banking reform, the Dodd-Frank Act, all but useless. JPM Chase chairman Jamie Dimon publicly denounced reform, in stark contrast to his predecessor Winthrop Aldrich, who wisely saw it as a way to solidify the country, the currency, and its bankers. Aldrich's brand of national support has been replaced by mulish irresponsibility, lack of culpability and blatant disregard for patriotism.

“There's a fascinating through line that runs from the Big Six banks of today back through those of the 1929 Crash and the Great Depression, all the way back to the Panic of 1907. Today's Big Six banks, those that hold more than 40% of our nation's deposits and control 95% of its derivatives trades, are largely derivations themselves, legacy combinations of the a few firms and the same families or friends that ran them.”

**New Survey Finds Small Banks 'Deeply Affected' By Dodd-Frank Rules**
Investor’s Business Daily, 3/20/14

“… More than 80% of small banks recently surveyed by George Mason University say their compliance costs have increased by more than 5% since Dodd-Frank. And an overwhelming 94% say they won't be adding new products or services as a result. “In fact, many are discontinuing residential mortgages and home equity lines of credit. Others are merging with other banks just to survive the regulatory onslaught.”

**Banking’s Back Room Risk Cops Step Into Top Jobs**
Steve Slater, Reuters, 3/16/14

“Once modest of pay and profile, risk experts are being reborn as rock stars of the banking world - their status and salaries soaring as regulators force financial institutions to clean up.

“Industry-wide investigations into alleged exchange rate manipulation, trading scandals at UBS, Societe Generale and JPMorgan and HSBC's $1.9 billion fine for lax money-laundering rules have upped the ante for banks already under pressure to curb reckless behavior that led to the financial crisis… HSBC chief risk officer Marc Moses joined the bank’s board at the start of 2014, alongside the chairman, chief executive and finance director, and could be paid 6 million pounds ($10 million) this year. Chief Executive Stuart Gulliver, who could be paid 11.4 million this year, says pre-crisis, the bank's CRO would not have made it into the top 50 earners.”

**Wall Street Says It's Classier Than “Wolf of Wall Street.” Really?**
Susan Antilla, susanantilla.com, 3/18/14

“Ask a pal at a Wall Street firm about the box-office hit The Wolf of Wall Street, and brace for one of those sour faces that suggests there's a bad smell in the room. Those sex-obsessed, drug-taking thugs who ripped off investors in Martin Scorsese’s all-time, biggest-grossing film have nothing in common with the refined investment professionals who do business on real Wall Street, they will tell you.
“But that’s not entirely true. The Wall Streeters who wear expensive suits and do business in Manhattan may not be tossing midgets around the trading room, as the perhaps less genteel Long Island brokers in the movie did. They aren’t above hurting investors, though.”

Chuck Schumer’s Wall Street Dilemma
Manu Raju and Ben White, Politico, 3/20/14
“… Schumer refuses to say what he will do, but Wall Street executives and their Washington lobbyists say the senator and his associates have privately signaled he is not interested in the Banking Committee chairmanship and would not be receptive to pressure to take the job.

“According to these people, Schumer does not want to be put in a position where any action he took to crack down on the financial services industry would hurt him with his deep-pocketed New Yorkers while any signal that he was going soft on Wall Street would hurt him with the ascendant progressive wing of the party.”

Questions Over Goldman Deal as Investors Sit in the Dark
Jesse Eisinger, New York Times, 3/19/14
“The “revolt of the Muppets” is heating up. That’s how a Georgetown finance professor, James J. Angel, characterizes the combat by him and other investors over Goldman Sachs’s takeover of a hotel company a few years ago. (The phrase comes from a former Goldman employee, Greg Smith, who wrote that Goldman bankers referred to clients as the famous Henson puppets, a charge the bank disputed.)

“The fight raises such a cornucopia of financial issues that it could shoulder an entire business school course. The holders of preferred stock in the company have taken to commenting to the Securities and Exchange Commission in outrage. Professor Angel accuses Goldman of multiple securities law violations. In essence, the question is: In these post-financial crisis days, what constitutes improper conflicts of interest?”

The Rich Strike Back
Ben White and Maggie Haberman, Politico Pro (paywalled), 3/17/14
“Just a few months ago, it looked like 2014 would be the year of the populist, with Democrats running on economic inequality, tea party Republicans bashing banks and newly minted New York City Mayor Bill de Blasio pledging to soak the rich with higher taxes.

“That was so January. The terrain is now shifting fast as the 1 percent fights back hard and the effectiveness of the populist approach comes into question… Democratic Rep. Jim Himes, whose Connecticut district includes many wealthy Wall Street executives, said the populism associated with de Blasio and Massachusetts Democratic Sen. Elizabeth Warren was never as dominant as the media suggested. ‘All too often people forget that this is just one politician from Massachusetts and one from New York City and what they say is not going to dominate politics in Arkansas, or Florida or Texas or anywhere else,’ Himes said. ‘Income distribution may be far from ideal, but people don’t necessarily only want to hear about increased taxes on the wealthy.’

“Wall Street Democrats believe Obama is fundamentally sympathetic to that argument.”

GOP Lawmaker Was for “Wall Street Bailout” Before He Was Against It
Glen Kessler, Washington Post, 3/18/14

Can JPMorgan Help Find Jobs For All The Branch Staff It’s Laying Off?
Lydia DePillis, Washington Post, 2/27/14
“Yesterday, JPMorgan chief executive Jamie Dimon announced that the world’s largest bank - - with its share price at record highs, despite paying out around $20 billion in settlements to
regulators -- would be **cutting loose** 2,000 more people at its bank branches, on top of the 5,500 that got pink slips last year. Overall, it expects to have 20 percent fewer people staffing its storefronts than it did in 2011, as consumers get more used to **automated banking** services and not as many take out mortgages.

“It's not just JPMorgan. This year, banks **closed more branches than ever** and kept squeezing the number of people required to staff each one. It's actually a pretty quick reversal, given the long run-up in branch openings that **halted** only as banks merged and began to consolidate their retail operations. And it's leading to the demise of a profession that used to be an intro to the white-collar life.”

**U.S. Appeals Court Upholds Fed's Debit Card 'Swipe Fee' Limits**  
Emily Stephenson, Reuters, 3/21/14  
“A U.S. appeals court upheld the Federal Reserve's controversial rules for debit card 'swipe fees' on Friday, reversing a lower court's decision to throw them out after merchants argued the charges were too high. Businesses pay the fees to banks when customers use debit cards to purchase goods or services. The fees reimburse banks for costs involved in offering debit cards.”