

This Week in Wall Street Reform | May 12 – 18

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THE TRUMP ADMINISTRATION, CONGRESS AND WALL STREET

[This is exactly the wrong time to roll back financial reform](#) | Financial Times (Rana Foroohar)

The bill, authored by Mike Crapo, the Republican head of the Senate banking committee, is being couched as a way to reduce onerous regulatory burdens on regional and community banks so that they can do more of the plain vanilla lending — to farmers, or young couples looking to buy a home — that plays well at the ballot box.

Yet the numbers show that loan growth at community banks is already stronger than the industry average (up about 8 per cent a year for the past two years) led by growth in commercial real estate loans, residential mortgages and commercial and industrial loans...

Meanwhile, the bipartisan group of Congress members who are pushing the bill forward is downplaying the fact that it offers two important carrots for larger banks with assets ranging from \$250bn to more than \$2tn. These institutions will now be able to reclassify municipal bonds as “high quality assets”, making it easier for them to game the liquidity coverage ratio. Custodian banks, such as State Street, BNY Mellon and Northern Trust, will also benefit from a softening of post-crisis capital standards. They will be allowed to deduct client cash from their leverage calculations — something that could benefit even large banks such as Citigroup or JPMorgan that have custodial business.

[Congress on verge of gutting lending laws](#) | Modesto Bee and Merced Sun-Star (Graciela Aponte-Diaz)

Congress and President Trump are on the verge of enacting the biggest-ever rollback of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 – the financial reform law that established safeguards to prevent a return of the reckless lending that caused an economic catastrophe.

It will be interesting to see how two of the Valley’s Representatives Jeff Denham, a Republican, and Jim Costa, a Democrat, vote. After all, their districts were enormously affected by the Great Recession. The President has promised to sign S. 2155 into law. The bill has been nicknamed the “Bank Lobbyist Act” as it prioritizes the desire of well-connected financial players for looser rules and short-term profits over the public need for a stable, sustainable market that serves all credit-worthy borrowers.

[Bill Aimed at Saving Community Banks Is Already Killing Them](#) | **The Intercept (David Dayen)**

“We absolutely expect bank consolidation to accelerate,” Wells Fargo’s Mike Mayo told CNBC the day after the Senate passed the deregulation bill in March. The reason? Banks no longer face the prospect of stricter and more costly regulatory scrutiny as they grow. And regional banks in Virginia, Ohio, Mississippi, and Wisconsin have already taken note before the bill has even passed into law, announcing buyouts of smaller rivals...

“The number of banks have declined every year since 1984,” said Marcus Stanley, policy director at **Americans for Financial Reform**. “It’s a long-term structural problem that I don’t think you’re solving here.”

[Republicans Can’t Even Cut Red Tape Correctly](#) | **NY Times (Brink Lindsey & Steven Teles)**

Finance is [an] area where supposed deregulation can be a scheme for allowing a favored few to profit by pushing costs onto others. The Dodd-Frank legislation passed in the aftermath of the financial crisis has numerous flaws and shortcomings, but it did impose more stringent rules on the largest banks. The administration and its allies in Congress have proposed dramatically reducing the number of banks covered by these rules, without (as a large number of economists have recommended) creating other, more effective ways of reducing excessive risk-taking.

The consequence of this species of deregulation is to move back toward the world of “Heads I win, tails you lose” that brought us the financial crisis in the first place.

[Luetkemeyer downplays 'messaging' bills in chairmanship pitch](#) | **Politico Pro**

Rep. Blaine Luetkemeyer today touted his ability to work across the aisle and panned dead-end “messaging” bills as he pitched himself as the next chairman of the House Financial Services Committee. Speaking to an Exchequer Club lunch in Washington, the Missouri Republican said he was a “business guy” who “likes to get something done.”

[Wall Street Lobbying: Behind the Numbers](#) | **Think Advisor**

Wall Street lobbying groups spent \$719 million in 2017 to fight battles over cutting corporate taxes, rolling back consumer protections and easing regulation of large banks, according to a recently released report by **Americans for Financial Reform**.

The AFR report notes that the 2017 figure puts Wall Street lobbying on pace to outstrip the record \$2 billion it spent during the 2015-2016 campaign cycle. The biggest spenders within the financial services industry include the American Bankers Association (\$13.1 million), Citigroup (\$5.9 million), Paloma Partners (\$5.6 million), Goldman Sachs (\$5.2 million), Renaissance Technologies (\$5.6 million), and the Securities Industry and Financial Markets Association (\$8.5 million), according to the 57-page report, “[Wall Street Money in Washington](#).”

Lisa Donner, **AFR’s executive director**, told ThinkAdvisor that “Wall Street threw its campaign to reverse or undermine the [Labor Department’s] fiduciary rule into a higher gear the moment it saw an opening after the 2016 election. It is not surprising to see one of the industry’s biggest lobbying organizations ranking high on the list of groups that put millions of dollars into the political system.”

[Wells Fargo's Timeout, Lobbying Largesse](#) | **Barron's**

It just got a little harder for Wells Fargo to get out of the penalty box. The Federal Reserve in February barred Wells from increasing its assets until it develops a plan to prevent future customer abuses...

In another story at the confluence of finance and government, Wall Street lobbying groups spent \$719 million last year, according to **Americans for Financial Reform's** report "Wall Street Money in Washington." A chunk of it appears to have been aimed at killing the Labor Department's fiduciary rule. Among the biggest spenders: The American Bankers Association (\$13.1 million), Citigroup (\$5.9 million), Goldman Sachs (\$5.2 million), and SIFMA, the brokerage-industry lobbying group.

CONSUMER FINANCE AND THE CFPB

[Tougher payday loan rules to remain in place, for now](#) | **Associated Press**

Tougher rules governing the payday lending industry, finalized during the last weeks of an Obama-era appointee who led the Consumer Financial Protection Bureau, will remain in place for now after Congress allowed a deadline to overrule them pass without action.

It's a rare victory for consumer groups in the era of President Donald Trump, but the win is expected to be short-lived. Despite the lack of Congressional action, the bureau, now under the control of Trump appointee Mick Mulvaney, has already announced plans to revisit the regulations, which mostly go into effect next year.

[CFPB Payday Loan Rule Likely Spared Wrath of Congressional Review Act](#) | **District Sentinel**

[Time runs out for Congress to upend payday lending rule](#) | **CNBC**

See statements by Allied Progress, [Americans for Financial Reform](#), [Center for Responsible Lending](#), [Stop the Debt Trap](#), [US PIRG](#), and [Woodstock Institute](#).

[6 NC House members want to help a group that is illegal in this state](#) | **Charlotte Observer (Keith Shearin)**

[An] attempt in Congress to kill landmark payday lending reform threatens not only veterans and others in the 35 states that have payday lending, but also the people of North Carolina and other payday-free states. So it is surprising that six members of the N.C. congressional delegation have sponsored a resolution to repeal the Consumer Financial Protection Bureau rule requiring that payday and car title lenders make sure their customers can afford their loans. House members sponsoring this bill to help payday lenders, who are illegal in our state, include N.C. Reps. Ted Budd, Richard Hudson, Patrick McHenry, Robert Pittenger, David Rouzer and Mark Walker.

[Ex-Google Exec's Co. Accused Of 'Rent-A-Tribe' Loan Scheme](#) | **Law360**

Teresa Titus, the plaintiff leading the case, said former Google Chief Information Officer Douglas Merrill and his company ZestFinance Inc. linked themselves to the Turtle Mountain Band of Chippewa Indians in a so-called rent-a-tribe scheme in order to run a payday lending

business called Spotloan without being subject to federal and state law. Spotloan is operated through the tribal corporation BlueChip Financial, also named as a defendant in the case, Titus said in her complaint on behalf of proposed classes of Washington and national borrowers.

[Don't repeal rules on payday loans](#) | Greensboro News & Record (editorial)

[North Carolina rejected payday lenders, but these NC congressmen are embracing them](#) | Greensboro News & Record (Kelly Tornow)

The message is loud and clear: North Carolinians support freeing our fellow Americans from the grips of the payday loan debt trap. We want Congress to keep its hands off the consumer bureau's reasonable payday rule. We hope that Sens. Richard Burr and Thom Tillis, and North Carolina's members of the House of Representatives will listen to their constituents, not payday lenders.

[The one area where banks and fintechs want more regulation](#) | American Banker

Banks, fintech firms and data aggregators are asking regulators to provide more clarity on how to handle consumer data and who is responsible for leaks when it is shared between firms — a request that's seemingly a reversal from the deregulatory approach the industry often takes.

The potential liability stemming from consumer data has become a critical concern for the financial industry as more data aggregators and fintech firms rapidly enter the space, seeking access to customers' bank account information in order to offer loans and other products.

[CFPB techies blast talk of taking down complaint portal](#) | FCW

To those who built the database, many of whom came from the private sector and subsequently joined innovation shops like 18F and the U.S. Digital Service, it's more than just a 'Yelp for financial services.' It's a staple of open government.

"As an open data and transparency advocate, I firmly believe that the role of government is to release the raw data it collects and to let the public determine how to best use it," said Merici Vinton, one of CFPB's first 20 employees.

[Credit Union Trade Group: Let us enforce consumer protection laws](#) | CU Times

The NCUA—and not the CFPB—should enforce consumer protection laws at credit unions, trade groups told the bureau.

"Above all else, NAFCU maintains that federally-insured credit unions should not be subject to the Bureau's enforcement authority," Ann Kossachev, NAFCU's regulatory affairs counsel told the agency, in commenting on the agency's role.

[CFPB Moves Overdraft Rules to Back Burner](#) | Credit Union Times

The CFPB has moved its controversial plan to issue rules governing overdrafts to the back burner, the agency said in the Spring update of its regulatory agenda. Acting CFPB Director Mick Mulvaney said he has reclassified as "inactive" certain rulemakings that had been listed in previous agendas, adding he expects a permanent director will make decisions on those issues.

[Consumer Bureau under threat in Trump Administration](#) | Delaware Business Times (Alex Vuocolo)

[This man runs a federal agency near Washington — from his home in Dallas](#) |

Washington Post

The man named by President Trump last year to oversee regulation of the nation's \$1.4 trillion credit union industry has taken a novel approach to the agency he leads. Instead of going to his office near Washington every day, J. Mark McWatters works from his home. In Dallas.

McWatters, whose salary as chairman of the National Credit Union Administration board is \$165,300, may be the federal government's most unlikely telecommuter.

The arrangement adds a wrinkle to the tendency among some Trump administration officials to spurn traditional government norms. An NCUA spokesman confirmed a Washington Post finding that McWatters works from Dallas and declined to say how often he travels to the headquarters in Alexandria, Va., where more than 400 of the agency's 1,200 employees are based.

[Congress scraps rule barring auto lending bias](#) | **Philadelphia Tribune**

Consumer advocates warned that doing away with anti-discrimination protections would drive up fees for those seeking auto loans and said that other consumer protections could soon be targeted.

"Companies will put millions of people into more expensive car loans simply because of the color of their skin," said Rion Dennis, an advocate of financial overhaul at **Americans for Financial Reform**. "By using the Congressional Review Act to wipe out straightforward regulatory guidance, the congressional majority has also opened the door to challenging long-standing efforts to protect workers, consumers, civil rights, the environment and the economy."

[More on Congress' Disapproval of the CFPB's Indirect Auto Guidance](#) | **Coalition for Sensible Safeguards (Jeff Sovern)**

[Toyota Unit Gets Early Exit From DOJ Fair Lending Deal](#) | **Law360**

[The surprising return of the repo man](#) | **Washington Post**

Technology has made the repo man ruthlessly efficient, allowing this familiar angel of financial calamity to capitalize on a dark corner of the United States' strong economy: the soaring number of people falling behind on their car payments.

[Why Arbitration Agreements Are Almost Always a Good Idea \(for Auto Dealers\)](#) | **Auto Dealer Monthly**

An arbitration agreement is the dealer's first and best line of defense against class-action lawsuits. If you think that isn't reason enough, have a word with the many South Carolina dealers sued in class actions over allegedly improper doc fees who were able to have the class actions dismissed, with individual plaintiffs left with claims in arbitration. Dealers who did not use arbitration agreements paid millions of dollars to their customers and the customers' class action lawyers.

[Former Citi CEO invests in subprime Ollo credit card from Fair Square Financial](#) | Wall St. Journal

Vikram Pandit, the former Citigroup Inc. chief, is making a big bet on credit cards. The Orogen Group, an investment firm headed by the former bank executive, is committing \$100 million in equity to Fair Square Financial LLC, the two companies are expected to announce on Monday. Fair Square, based in Wilmington, Del., issues credit cards under the brand name Ollo and targets consumers with less pristine credit scores.

Mr. Pandit, whose old bank also runs a large credit-card business, has served on Fair Square's board since its 2016 founding. But the investment announced Monday is his first investment in the company.

[CFPB Rebranding Influenced by Democrat, Emails Reveal](#) | Bloomberg

[In] a surprising twist, it turns out the effort to overhaul the seal was actually initiated by Richard Corday, the Barack Obama-appointed CFPB director who has earned endless praise from Warren and scorn from Republicans. And the seal that Corday had settled on before he resigned to run for governor of Ohio is very similar to Mulvaney's selection, according to internal CFPB emails obtained by Bloomberg News through a Freedom of Information Act request.

[Mulvaney Defends White House Aide's 'Dying' McCain Remark](#) | Allied Progress

This weekend, Fox News host Neil Cavuto asked Consumer Financial Protection Bureau (CFPB) "Acting Director" Mick Mulvaney for his thoughts on White House Director of Surrogate and Coalitions Outreach Kelly Sadler's callous, "he's dying anyway," response to Sen. John McCain's (R-AZ) opposition to President Trump's pick to lead the CIA. Instead of honoring McCain's years of public service, Mulvaney chose to defend Sadler, saying it was a "private meeting that...doesn't have much impact." Later in the exchange, Mulvaney described it as simply "a joke that fell flat."

DERIVATIVES, COMMODITIES & THE CFTC

[U.S. Crypto Regulatory Fight Has Everything But Rules](#) | Washington Post

A chunk of Washington has been working to figure out what to make of cryptocurrencies. For some, the question is how to regulate the digital assets; for others, it's how to cash in on them by influencing the debate. Lawyers and lobbyists have reinvented themselves and new trade associations have sprouted up across town. But Congress has been reluctant to pass new rules, financial regulators are still sorting out jurisdiction and the White House has yet to weigh in forcefully. That's left confusion and legal risks for U.S. issuers and investors. Here are some of the key policy questions:

[Cryptocurrency Firms Explore Getting Bank Licenses](#) | Wall St. Journal

Coinbase Inc. and another cryptocurrency firm talked to U.S. regulators about the possibility of obtaining banking licenses, a move that would allow the startups to broaden the types of products they offer. Coinbase, which operates the largest U.S. cryptocurrency exchange, met with officials at the U.S. Office of the Comptroller of the Currency in early 2018, according to a person familiar with the matter. Meanwhile, ivyKoin, a payments startup, in recent weeks sat down with officials at the Federal Deposit Insurance Corp., this person said. IvyKoin President

Gary Fan confirmed the meeting. The discussions included other topics, such as the firm's business models, this person said. The companies might not seek a bank charter, which would significantly ramp up regulatory scrutiny. Whether they do so will depend on whether they decide the benefits of becoming a bank outweigh the costs. A federal banking charter would let the firms swap a hodgepodge of state regulators for one primary federal one. The companies would also gain the option of directly offering customers federally insured bank accounts and other services, rather than partnering with existing banks.

[House Republicans drafting bill to provide certainty for ICOs](#) | Politico Pro

At a House Financial Services hearing Wednesday, Warren Davidson (R-Ohio) said he is working on a bill that would address the thorniest questions surrounding ICOs. The coin offerings have raised billions of dollars for startup companies but drawn criticism from the chairman of the SEC, among others, who say they are unregistered securities, which violates the law.

Davidson said his bill would focus on how the "Howey test" — the standard established by the Supreme Court for what constitutes a security — applies to ICOs. It will also deal with SAFTs, or simple agreements for future tokens, an industry framework for how to comply with securities laws.

[CFTC Official Urges SEC to Clarify Ether's Status](#) | Wall St. Journal

Commissioner Brian Quintenz of the Commodity Futures Trading Commission, which is holding talks on the issue with the SEC, said the agency should quickly provide clarity about whether it plans to label ether as a security—a move that could create uncertainty in cryptocurrency markets. The status of ether has emerged as a flashpoint in the debate over how regulators should approach cryptocurrencies. A high-level SEC and CFTC working group is considering whether ether's initial issuance in 2014 was a securities offering, and if so, whether it should have been registered as such with the SEC. Ether's supporters contend that the digital currency's network is sufficiently decentralized, like bitcoin, to be categorized as a commodity. If that's the case, neither federal markets regulator would have direct jurisdiction over the cryptocurrency.

ENFORCEMENT

[Former bank execs seek acquittal after fraud convictions](#) | Washington Post

Four former executives for the only financial institution to be criminally charged in connection with the federal bank bailout program are asking a federal judge to overturn their fraud and conspiracy convictions. The former Wilmington Trust executives claim in a court filing Wednesday that the prosecution evidence was insufficient to convict them, and that the weight of the evidence is contrary to the May 3 jury verdict. In lieu of acquittal, defense attorneys are asking for a new trial.

[Chinese banking giant to pay U.S. regulators for alleged violations](#) | Politico Pro

The bank will pay \$5.3 million to the Financial Industry Regulatory Authority and \$860,000 to the SEC. The SEC also charged Chardan Capital Markets LLC with violations involving the bank's penny stock trading. Chardan agreed to pay the SEC a \$1 million penalty.

[Wells Fargo Employees Altered Information on Business Customers' Documents](#) | Wall St. Journal

The behavior again raises questions about Wells Fargo's risk-management practices and controls. The bank has been sanctioned in recent months by federal regulators for problems in these areas and as a result can't grow its balance sheet. The employees in Wells Fargo's so-called wholesale unit, which is separate from its retail bank, added or altered information without customers' knowledge, according to the people familiar with the matter...

The behavior took place in 2017 and early 2018 as Wells Fargo was trying to meet a deadline to comply with a regulatory consent order related to the bank's anti-money-laundering controls, the people said. The employees were also working to get documents in order prior to new requirements from another regulator for disclosures related to proof of beneficial ownership of businesses...

[Supreme Court 2017 Decision Has Cost Investors Over \\$800 Million, SEC Says](#) | Wall St. Journal

U.S. securities regulators haven't been able to get more than \$800 million in disgorgement of ill-gotten gains since a 2017 Supreme Court case limited the time they have to recover funds for harmed investors. The amount is a "meaningful percentage" of the total fines that the Securities and Exchange Commission imposes on wrongdoers, a top SEC official told House lawmakers Wednesday. Now, under the court's decision, the SEC has only five years to sue bad actors after a fraud occurs. "We can't reach back beyond five years and pull money out of the pocket of wrongdoers and return it to investors," SEC enforcement co-director Steven Peikin told a panel of the House Financial Services Committee. "This is going to have a significant impact on the recovery we achieve for investors."

EXECUTIVE COMPENSATION

['CEOs don't want this released': US study lays bare extreme pay-ratio problem](#) | The Guardian

The first comprehensive study of the massive pay gap between the US executive suite and average workers has found that the average CEO-to-worker pay ratio has now reached 339 to 1, with the highest gap approaching 5,000 to 1.

The study, titled [Rewarding Or Hoarding?](#), was published on Wednesday by Minnesota's Democratic US congressman Keith Ellison, and includes data on almost 14 million workers at 225 US companies with total annual revenues of \$6.3tn.

[CEOs aren't disclosing their real compensation](#) | USA Today (Ralph Nader & Steven Clifford)

The reported numbers excludes gains on stock options, often the largest component of CEO compensation. Thanks to an accounting anomaly corporate boards count as compensation only the value of the options at the time they were granted. When the CEO later cashes them in, the board treats CEOs as lucky shareholders who benefited from a higher stock price, even though they paid nothing for them.

Apity reported that CEO Kevin P. Clark's total compensation was \$13,800,347. He also received

\$17,699,452 from exercising stock option, an amount not included as compensation.

Where did this \$17,699,452 come from? According to the company, it came from the tooth fairy. The rest of the shareholders lost money because their shares were diluted when the company printed more shares to give to the CEO. But the company, abetted by the accounting profession, says nothing happened. Add in gains on options and Apity's CEO ratio soars to 5,760 to 1

[Salaries at this Boston company rank among highest in US](#) | Boston Globe

[Rep. Keith Ellison Takes a Hard Look at New CEO Pay Ratio Data](#) | Inequality.org

Big business fought hard to kill a new regulation requiring corporations to disclose the gap between their CEO and median worker pay. For eight years after the regulation became law, corporate lobby groups fought to repeal, gut, or at least delay it.

But thanks to an outpouring of support by elected officials, investors, and ordinary Americans, the pay gap rule survived. And now, finally, the public is getting the information they need to see which corporations share the wealth with their employees — and which do not.

The staff of Rep. Keith Ellison has just released a report looking at the first 225 companies in the Fortune 500 to disclose their pay gaps. The average CEO-to-worker pay ratio among these firms was 339 to 1, and the widest gap was toymaker Mattel's, at an astounding 4,987 to 1.

[Accounting for Avarice](#) | Coalition for Sensible Safeguards (Bartlett Naylor)

[Fortune 500 CEOs paid from double to 5,000 times more than employees](#) | MarketWatch

[Keith Ellison study shows CEOs average 339 times median worker's salary](#) | The Hill

See [report](#) prepared by the staff of Rep. Keith Ellison

[3M, United Health, Ecolab make list for most gluttonous CEOs](#) | CityPages

[Companies with closer CEO pay ratios may generate higher profit per worker](#) | CNBC

A CNBC analysis of CEO pay ratios suggests that companies with more equal pay distribution also tend to generate higher profit per worker.

Prior academic research also suggests a performance penalty for unexplained differences in pay — that is, discrepancies that can't be explained by labor market economics. Ethan Rouen, an assistant professor at Harvard Business School, explored the phenomenon in his 2017 dissertation.

The reason may have to do with the impact that unfair pay has on workers, Rouen says. Workers may quit, for instance, or lack motivation if compensation is seen as unfair...

FEDERAL RESERVE

[Fed Nominee Bowman Says Bank Rules Should Be Tailored for Size, Complexity](#) | Wall St. Journal

Michelle Bowman, one of President Donald Trump's nominees to join the Federal Reserve Board of Governors, plans to criticize postcrisis banking regulations at her Senate confirmation hearing Tuesday. Ms. Bowman, the Kansas state banking commissioner, also plans to express support for the Fed's "dual mandate" of fostering maximum employment and stable prices, according to her prepared testimony released Monday by the Senate Banking Committee. Mr. Trump nominated Ms. Bowman to fill a Fed board slot reserved for a person with experience in community banking or banking regulation. Before becoming Kansas' bank commissioner in 2017, she was vice president of her family's 135-year-old Farmers & Drovers Bank and, before that, worked in the administration of President George W. Bush and as a consultant in London.

[Fed nominee Bowman to highlight regulatory burden on community banks](#) | Politico Pro

[Fed vice chair nominee says Trump didn't pressure him on rates](#) | PoliticoPro

INVESTOR PROTECTION, THE SEC, AND RETIREMENT SAVINGS

[Wells Fargo Improperly Kept a Pension Fund's Fee Rebates](#) | Wall St. Journal (Gretchen Morgenson & Emily Glazer)

Wells Fargo & Co. has acknowledged that it pocketed fee rebates that should have been passed on to a public pension fund in Tennessee while acting as its trustee... The bank owned up to the problem in late April after the Chattanooga Fire & Police Pension Fund had spent months questioning Wells Fargo officials about fee practices in its institutional retirement and trust unit, according to the correspondence. The bank said in the correspondence that the improperly retained fee rebates resulted from "a system set-up error..."

Wells Fargo says the fees retained by the bank amounted to only \$15,000. It declined to comment on whether other clients were affected.

[Latest Wells Fargo flap underscores need for fiduciary standard](#) | Investment News (Bruce Kelly)

In light of the latest investigation at Wells Fargo, the Department of Labor's decision in November to delay the start of the enforcement mechanisms of its fiduciary rule looks particularly misguided. At the time, the DOL said it was postponing till July 1, 2019, the legally binding contract between brokers and retirement-account clients that requires brokers to act in their best interests. That part of the DOL rule was supposed to take effect at the start of this year.

The financial advice industry had been waiting for the DOL fiduciary rule to be gutted since Donald J. Trump, a pro-business Republican, was elected president in November 2016.

[An SEC move would put GIs', vets' nest eggs at risk](#) | Stars & Stripes (John Kamin)

While veterans groups have provided a strong bulwark on consumer protections for payday loan practices in an era of regulatory rollbacks, a new threat has emerged against a fundamental security of veteran and military families: their retirement savings...

For decades, if a big corporation misled or deceived investors, those harmed by this fraud could band together to hold them accountable in public court. These actions have recovered billions of dollars for cheated investors, ranging from large pension funds for retired or disabled veterans to active-duty servicemembers with individual retirement accounts. With military retirement funds increasingly invested in our securities markets, a dramatic policy reversal at the SEC could rob veterans and servicemembers of their hard-fought savings.

[SEC Shows Investors What a Cryptocurrency Scam Looks Like](#) | Wall St. Journal

Washington wants you to know what a cryptocurrency scam looks like—so regulators made one up. The Securities and Exchange Commission—an 84-year-old agency not known for its digital communications savvy—on Wednesday launched a website that touts a fake initial coin offering, an unregulated way of raising funds that has raised over \$12 billion. The SEC says many ICOs are probably fraudulent, with bad guys evading investor protections and selling digital tokens that turn out to be worthless for the buyers. The SEC's fake token, "HoweyCoin," plays up many of the features of ICOs that regulators say are red flags, including celebrity endorsements and guaranteed returns on investment. The mock token sale includes a "white paper" to explain the fake project, which is styled as a partnership with the travel industry. HoweyCoin will be the "coin of the realm" for travel, the paper says.

[FinCEN temporarily exempts some accounts from beneficial ownership rule](#) | Politico Pro

Starting last Friday, banks and other financial firms are required to collect information about any individual who owns at least a 25 percent stake in one of their customers, as well as anyone who directly controls or manages the entity.

The rule doesn't require banks to retroactively collect information for existing customers, but they will have to do so if a current customer opens a new account. Banks had raised worries about what this would mean for the rollover of, say, a certificate of deposit, which might previously have been automatic.

[States appeal court ruling in attempt to save Obama-era financial rule](#) | The Hill

California, New York and Oregon are pulling out all the stops in an effort to save an Obama-era rule requiring retirement advisers to act in the best interest of their clients. The states, led by California Attorney General Xavier Becerra (D), have asked the U.S. Court of Appeals for the Fifth Circuit to reconsider its refusal to let them intervene in a lawsuit business and financial groups have brought challenging the rule. The states are seeking to become a party in the case so they can petition the full court to review its earlier decision striking down the rule and defend it on appeal.

[SEC's Peirce: Lighten up on compliance officers in enforcement](#) | Reuters

MORTGAGES AND HOUSING

[Duckworth lifts hold on HUD nominees, clearing hurdle for Trump's FHA choice](#) |

PoliticoPro

The hold had frustrated housing advocates keen to see crucial HUD positions get filled. President Donald Trump named Brian Montgomery to lead the FHA in September. The Senate Banking Committee advanced the nomination in November, but it hasn't come to the Senate floor.

Duckworth in April had placed a blanket hold on all HUD nominees, citing the agency's failure to respond to her questions about the decision to shutter the facilities in Cairo and Thebes, Ill.

[Duffy, Cleaver introduce bill aimed at housing voucher mobility](#) | **Politico Pro**

The legislation, offered by Reps. Sean Duffy (R-Wis.) and Emanuel Cleaver (D-Mo.), would authorize the Department of Housing and Urban Development to conduct a voucher mobility demonstration. The goal is "to enable public housing agencies to administer housing choice voucher assistance ... to encourage families receiving such voucher assistance to move to lower-poverty areas and expand access to opportunity areas."

[FHFA releases Language Access Multi-Year plan](#) | **HousingWire**

[New York suing HUD, Ben Carson to enforce Obama fair housing rule](#) | **HousingWire**

[Banking Committee approves Appleton for HUD research post](#) | **Politico Pro**

The Senate Banking Committee today advanced the nomination of Seth Appleton to be the Department of Housing and Urban Development's assistant secretary for policy development and research.

[Mulvaney vows to 'bring sanity' to Qualified Mortgage rule](#) | **American Banker**

"Our duty is to look at unduly and overly burdensome regulations and our statutory interest is to see markets function," Mulvaney said at the National Association of Realtors conference in Washington. "You're going to see us try to bring some sanity to the larger market, including QM."

[Hensarling says he's not interested in FHFA post](#) | **PoliticoPro**

[Press Briefing Highlights Changes in Home Equity and How It's Used](#) | **New York Federal Reserve Bank**

PRIVATE FUNDS

[AFL-CIO seeks probe of potential Puerto Rico bond insider trading](#) | **Politico Pro**

The labor union federation asserts that general obligation bonds due to mature in 2035 — a bond class with an 8 percent yield believed to have been largely purchased by a small group of hedge funds — saw a jump in trading activity the week before Rosselló announced his plan.

Rosselló dramatically reversed his fiscal outlook for Puerto Rico, which has struggled with \$70 billion in bond debt, from a plan released in January.

See [video](#) on how Bain Capital and KKR walked away with at least \$470 million in profits while they ran Toys R US into the ground, saddling the company with billions in debt and setting up 33,000 workers to be left without jobs, benefits, or even severance pay.

[California funds feel private equity shock](#) | Pensions and Investments

New transparency requirements and a seller's market for private equity investments are putting California public pension funds at a disadvantage when seeking to invest.

CalSTRS and the Los Angeles Fire & Police Pension Plan are just two of the asset owners whose general partners have declined to accept their commitments, citing the state's new law. The law requires all public pension plans in the state to obtain information about private fund fees and expenses, and to make that information public.

REGULATION IN GENERAL

[Senators' Letter Brings Welcome Oversight to Troubled White House Office](#) | Coalition for Sensible Safeguards (James Goodwin)

Despite the claims of their supporters, OIRA's review and cost-benefit analysis methodologies, which are rife with intractable theoretical and practical flaws, do not improve the quality of agency decision-making or serve as a means for injecting objectivity and analytical rigor into the rulemaking process. To the contrary, repeated experience has shown that OIRA review can speed up or slow down a rule, depending on its political expediency. Similarly, cost-benefit analysis in OIRA's hands is rarely more than a form of post hoc rationalization used to support regulatory decisions that were made based on other, often improper political considerations.

[Industry Lawyer Expected to Head FTC Consumer Protection](#) | NY Times

The Federal Trade Commission is expected to appoint an industry lawyer who has represented Facebook, Uber and Equifax to lead the agency's consumer protection bureau tasked with policing those companies. The lawyer, Andrew M. Smith, would recuse himself from any potential investigations or enforcement involving dozens of companies he has worked for over the past two years while at Covington & Burling in Washington, including many banks, lenders, credit-reporting agencies and technology companies...

See [AFR statement](#).

[Dems to force Senate vote on net neutrality bill Wednesday](#) | The Hill

Democrats will force a Senate vote on Wednesday on a bill that would save the Federal Communication Commission's net neutrality rules from repeal. Senate Democrats filed a discharge petition on the bill last week, starting the clock on the long-shot effort to preserve the Obama-era consumer protections. The legislation, introduced by Sen. Ed Markey (D-Mass.), would use authority under the Congressional Review Act (CRA) to nullify the FCC's vote in December to roll back the rules. Under the CRA, lawmakers can force a vote in the Senate with just 30 lawmakers on board.

[Dems increasingly see 'electoral dynamite' in net neutrality fight | The Hill](#)

"I have literally never seen an issue that polls so decisively on one side," Schatz told The Hill in a separate interview on Friday. He encouraged Democrats running to closely consider making it a big issue in their own campaigns. "Everyone has to run their own race and make their own decisions," he said. "I will say this though: I have seen nothing so far to indicate that this is not electoral dynamite. I think every Democratic candidate ought to look very hard as to what this will do in terms of enthusiasm among millennials and the extent to which it can mobilize infrequent voters." Public opinion polls about net neutrality vary but consistently show support for the policies which aim to create a level playing field on the internet by preventing broadband companies such as AT&T and Comcast from slowing down or blocking certain types of content. Many polls show overwhelming support for the rules. Democratic campaign committees say they plan to use the issue to rally support for their candidates in 2018 midterms and potentially future elections as well.

[How Trump can build on regulatory reform: Borrow from Reagan's playbook | The Hill \(Drew White\)](#)

President Trump should revisit a Grace Commission-style approach to regulation. The administration should appoint key conservative leaders to oversee the project, tap elements of their policy team, including the hard workers at the Office of Management and Budget to participate. And most importantly, they should bring in private sector representatives from key industries to help identify the federal rules that are inhibiting their growth, bringing undue hardship on their businesses, and burdening households. And unlike the Grace Commission, this effort should be given real teeth to force congressional action and force the national conversation.

STUDENT LOANS AND FOR-PROFIT COLLEGES

[Federal consumer watchdog plays down changes to its student protection unit | Washington Post](#)

On Thursday, protesters gathered in front of CFPB headquarters to oppose the reorganization and urge the agency to continue to fight for student loan borrowers.

"We know that this is a step in exactly the wrong direction," Marceline White, executive director of the Maryland Consumer Rights Coalition, said at Thursday's protest. "This shows the intent of the agency to roll back protections of consumers, while instead protecting debt collectors and predatory student loan servicers..."

"Financial education is useless against a lender, servicer or debt collector who engages in predatory and abusive practices," said Persis Yu, a staff attorney at the National Consumer Law Center, an advocacy group. "This move sends borrowers a message that they are on their own when it comes to standing up to large student lenders."

[Education Department Unwinds Unit Investigating Fraud at For-Profits | NY Times](#)

Members of a special team at the Education Department that had been investigating widespread abuses by for-profit colleges have been marginalized, reassigned or instructed to focus on other matters, according to current and former employees. The unwinding of the team has effectively killed investigations into possibly fraudulent activities at several large for-profit

colleges where top hires of Betsy DeVos, the education secretary, had previously worked.

[Former for-profit college executive shaped Education Department policy that could benefit former employers: Documents](#) | **ABC News**

Education Department adviser Robert Eitel, hired by the Trump administration last February after four years in the for-profit college industry, played a role in suspending an Obama-era policy known as "borrower defense to repayment." The rule made it easier for students, enticed into taking out five-figure loans on promises that they would get good jobs, to file for debt relief. It also allowed the government to recoup losses due to discharged loans from the schools.

[Investigations Into For-Profit College Abuses Dismantled Under Betsy DeVos](#) | **Forbes**

[Betsy DeVos is lifting regulatory scrutiny of predatory for-profit colleges](#) | **Vox**

[Dept of Education Stops Investigating For-Profit Colleges](#) | **WBEZ Chicago**

[The DOE is scaling back its oversight of for-profit colleges — here's how to protect yourself](#) | **Mic**

[Betsy DeVos Won't Go After For-Profit College Ripoffs. Will States Step In?](#) | **Mother Jones**

[Watch a Fake 'Daily Show' Ad for a Fraudulent For-Profit College \(Video\)](#) | **New Haven Register**

[Colleges Hire Consultants to Help Manipulate Student Loan Default Rates](#) | **NY Times**

[Inside a For-Profit College Conversion: Lucrative Ties, Troubling Actions](#) | **Republic Report**

More than a decade ago, Brent Richardson helped engineer the transformation of Arizona-based Grand Canyon University from a modest religious non-profit school into a lucrative, multi-billion-dollar, publicly-traded for-profit giant, one that rode a wave of lax oversight by the Department of Education under George W. Bush and resulting record enrollments and revenues for the for-profit college industry. Much of the industry's receipts come from taxpayer-funded student grants and loans, which peaked at about \$32 billion in a single year, about a quarter of federal student aid to all colleges and universities — even though the industry had only 10 percent of the students.

[State ready to take on student loan watchdog role](#) | **Everett WA Herald (editorial)**

Chalk one up for the state Legislature and its timing earlier this year when it established a student loan bill of rights...

State lawmakers likely weren't anticipating Mulvaney's actions; the legislation had been request by the Attorney General's office and proposed even before undoing the CFPB was a glimmer in Mulvaney's eye. But the timing is fortunate, all the same. The actions of the Legislature earlier this year to establish a student loan bill of rights provides many of the same protections that are being lost at the CFPB.

[Mulvaney dismisses criticism of student loan move](#) | Politico Pro

The controversial decision last week to fold the Consumer Financial Protection Bureau's student loan office into a financial education unit was a mere "paper reorganization," CFPB acting Director Mick Mulvaney said Tuesday.

Mulvaney also defended his decision to move the Office of Fair Lending as an "internal restructuring" that simply shifted its enforcement functions into "the silo with all of the enforcement actions."

[The steps Trump has taken to undermine student debt reform](#) | Reveal: The Center for Investigative Reporting

And last week, the administration began what reformers fear is the dismantling of an Obama-era initiative to crack down on lending abuses – an effort that in 18 months had forced the student loan industry to give back \$750 million for alleged unfair and abusive marketing and collection practices.

The administration insists its reorganization of the Consumer Financial Protection Bureau's student loan office was routine: There was "no functional or even practical change" to the unit's mission of protecting and informing students, an agency spokesman said.

[Protect Students, Not Predatory Colleges](#) | NY Times (Aaron Ament)

[New Jersey AG Calls Out Betsy DeVos on For-Profit Colleges](#) | NY Times

[Student Who Took on 'Crushing' Debt Angry After Betsy DeVos Scales Back Investigations of For-Profit Colleges](#) | Time

[DeVos hurts students by gutting for-profit fraud probe](#) | Boston Globe (editorial)

SYSTEMIC RISK

[Volcker Rule Rewrite Is Said to Drop Key Trading Burden on Banks](#) | Bloomberg

Wall Street is poised to get a big reprieve from the Volcker Rule, as U.S. agencies prepare to scrap a restrictive presumption that most short-term trades violate the post-crisis regulation, three people with knowledge of the matter said.

In a much-anticipated overhaul, the Federal Reserve and other regulators are planning to drop an assumption written into the original rule that positions held by banks for less than 60 days are speculative -- and therefore banned, the people said. Instead, banks would have leeway to conclude that their trades comply with the rule, putting the onus on regulators to challenge such judgments, the people said.

[Volcker Rule 2.0 Draft Coming Soon](#) | Wall St. Journal

Large Wall Street banks would have more trading freedom under the Volcker rule as a result of changes U.S. regulators are considering, according to people familiar with the matter. The draft changes to the rule, which restricts bankers' trading activities, are designed to lower the burden banks face to prove that short-term trades don't violate the rule, the people said. Regulators are

also seeking to alter the definition of permitted hedging and market-making activities, to limit the rule's impact on non-U.S. investment funds, and to cut compliance requirements for banks with trading desks under a certain size, the people said. The changes could be published as soon as late May. The overall impact of the changes, dubbed Volcker 2.0, isn't yet clear. The rule bans traders at taxpayer-insured banks from speculating but allows them to buy and sell securities in concert with customers' demand. It has been difficult to enforce. Bank traders, their lawyers and regulators constantly grapple with how to decide whether a given trade was executed with a customer in mind, or for the bank's own profit.

[Big banks crying wolf over another key Dodd-Frank regulation](#) | **The Hill (Mayra Rodriguez Vallardes)**

In April, the Federal Reserve and the Office of the Comptroller of the Currency requested public comment on a draft notice of proposed rulemaking to make changes to the supplementary leverage ratio for the nation's largest banks. Essentially, the proposal, if adopted, would lower what the big banks have to allocate for their level of on and off-balance sheet risks. I have long advocated for the leverage ratio, because while imperfect, it is harder to manipulate than the risk-weighted framework in which big banks can use their credit and market risk models to determine the riskiness of on- and off-balance sheet transactions. The supplementary leverage ratio is very important, because if a globally systemically important bank were to fail, its contagion to the global economy would be far more detrimental than when a purely domestic bank fails.

[Volcker Rewrite Only Widens Existing Loopholes](#) | **Washington Post (Stephen Gandel)**

[Will capital plan cost big banks \\$400M or \\$121B?](#) | **American Banker**

The Federal Reserve's proposal to modify a key capital rule is generating a fierce debate among regulators about how much capital would be unleashed by the plan. And the range of estimates is uncommonly wide...

Marcus Stanley, policy director for **Americans for Financial Reform**, said that the proposal would essentially encourage banks to find assets that have the highest returns while also having the lowest risk weights, which could create artificially high concentrations in certain asset classes. And if risk weights are wrong, the consequences would be dire.

"The reason the leverage ratio exists is because regulators blew it on their risk-based capital ratios in a huge way before the crisis," Stanley said. "The regulators are basically saying, 'Trust us on our risk-based capital ratios, we've got it right.'"

[Quarles: Fed, FDIC will request input on living will guidance](#) | **Politico Pro**

Federal Reserve regulatory chief Randal Quarles today said the central bank and the FDIC plan to ask for input on liquidity requirements placed on large banks as part of the living will process.

After five of the biggest U.S. banks in April 2016 failed to convince regulators they could safely unwind in the event of bankruptcy, the two regulators released guidance that had the effect of imposing new liquidity requirements on the lenders. Those requirements — known as Resolution Adequacy and Positioning and Resolution Liquidity Execution Need — were never subject to a public comment process.

OTHER TOPICS

[Vatican condemns financial industry abuses](#) | Politico

In a 10,000-word document approved by Pope Francis, the Vatican attacked everything from CEO compensation to the rise of the payday lending industry. It said derivatives, the complex securities contracts that fueled the market meltdown, were still “a ticking time bomb.”

[Vatican calls for ‘a new regulation of financial activities’](#) | The Hill

The Vatican called for “a new regulation of financial activities” on Thursday in a broad and harsh critique of the international financial system that emphasized the need for higher ethical standards since the housing market crash in the last decade. The new document released by the Vatican, approved by Pope Francis, calls out the post-2008 financial crisis economy for “excluding the common good,” citing the need for it to be “more attentive to ethical principles.”

See [Vatican statement](#) on “some aspects of the present economic-financial system.”

[When Companies Supersize, Paychecks Shrink](#) | NY Times (Bryce Covert)

[NRA sues Cuomo, New York financial regulators](#) | Politico Pro

[The 9.9 Percent Is the New American Aristocracy](#) | The Atlantic

The meritocratic class has mastered the old trick of consolidating wealth and passing privilege along at the expense of other people’s children. We are not innocent bystanders to the growing concentration of wealth in our time. We are the principal accomplices in a process that is slowly strangling the economy, destabilizing American politics, and eroding democracy. Our delusions of merit now prevent us from recognizing the nature of the problem that our emergence as a class represents. We tend to think that the victims of our success are just the people excluded from the club. But history shows quite clearly that, in the kind of game we’re playing, everybody loses badly in the end.

[Goldman’s Blankfein enlists senior management in conduct, culture initiative](#) | Reuters

Goldman Sachs' top management has been enlisted in a firm-wide initiative on conduct and culture issues. The global training sessions, sponsored by Chief Executive Lloyd Blankfein, have the firm’s partners and managing directors facilitating real-life work scenarios that encourage them to “anticipate the unexpected.” The program, or “Chairman’s Forum,” is a mandatory, global training program that ...

[Netflix is reportedly turning the Michael Lewis book 'Flash Boys' into a movie](#) | CNBC