

## **This Week in Wall Street Reform | June 4 - 10, 2016**

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### **CONSUMER FINANCE & THE CFPB**

#### **[House panel moves to block Obama regulations on payday loans](#) | PBS**

A powerful House panel is coming to the aid of payday lenders, moving to delay Obama administration regulations aimed at cracking down on the much-criticized industry.

Thursday's 30-18 vote by the Appropriations Committee would block proposed rules by the Consumer Financial Protection Bureau requiring payday lenders make sure customers are capable of repaying the loans, which typically come with high interest rates and fees.

#### **[How a scorned industry plans to keep the 400 percent loan around](#) | Washington Post**

The Consumer Financial Protection Bureau proposed tough new rules last week to end what it calls "payday debt traps" that embroil consumers in an escalating cycle of high-priced loans. The CFPB, which projects that the proposed rules could shrink payday loan volume by as much as two-thirds, attempts to limit the type of serial borrowing that accounts for most payday transactions and the bulk of the industry's profits. It does not limit interest rates.

Interviews with executives from several payday lenders provide a window into how one of the most scorned industries in the United States will try to contend with the regulatory attack. In the past, payday lenders have shown a chameleon-like ability to adapt under threat. In Ohio, for instance, a 2008 law placed a rigid cap on short-term loans; payday lenders entered into the "mortgage" business, offering similar loans under similar terms.

Ultimately, payday lenders say they are almost certain to take legal action against the CFPB to block the proposed rules, which experts say are likely to resemble the final product. But even if they lose, some of the biggest firms are already eyeing ways to make up for what all sides agree would be a massive plunge in business, by shifting to longer-term loans with similarly high interest rates or by plucking away business from smaller competitors.

#### **[House Panel Would Block Obama Rules on "Payday" Loans](#) | ABC News**

#### **[House Committee Approves Bill to Restructure CFPB](#) | ACA International**

#### **[CFPB Needs a Rule to Regulate Debt Collection](#) | American Banker**

#### **[The Arkansas Way](#) | Arkansas Online**

#### **[Regulators need to strike the right balance in limiting payday lending](#) | Washington Post**

[Payday loan crackdown vs. the freedom to get dangerously into debt](#) | CBC News

See statements by [AFR](#) and by [many of our members and allies](#) on the CFPB's payday proposal. For more on the proposal and Kansas City field hearing, see [stopthedebtttrap.org](#).

[The CFPB and Data Security Enforcement](#) | Bloomberg

[US community banks lash out at 'fintech' upstarts](#) | Financial Times

[Even the US Postal Service wants to start using blockchain tech](#) | Quartz

[Destroy, Develop, Distribute](#) | Inside Sources

## **DODD-FRANK (AND CONTINUED ATTACKS)**

[Committee Examines Dodd-Frank's Effect on Main Street](#) | DSNews

The Subcommittee on Economic Growth, Tax, and Capital Access of the Committee on Small Business met Thursday morning to address concerns surrounding the regulatory effect on small banks.

Witnesses at the hearing included Shan Hanes President and CEO, First National Bank of Elkhart, Roger M. Beverage President and CEO Oklahoma Bankers Association, and Marcus Stanley, Policy Director, **Americans for Financial Reform**.

[Cheat Sheet: Hensarling Asks for the Moon in Dodd-Frank Revamp](#) | American Banker

See Statements by House Financial Services Committee [Chairman Jeb Hensarling](#) and [Ranking Member Maxine Waters](#) on Hensarling's Dodd-Frank replacement proposal.

[House GOP plan ditches 'too big to fail' label for banks](#) | The Hill

[Donald Trump, Jeb Hensarling Meet on Dodd-Frank Alternative](#) | Wall St. Journal

[GOP's Swing At Dodd-Frank Could Give Banks Edge In Court](#) | Law360

See Allied Progress report, "[Hensarling's Revolving Door](#)."

[Bill to curb agency power advances in House](#) | The Hill

See Statement by [AFR](#) on the House Appropriations Bill for Financial Services and General Government.

## **THE ELECTION AND WALL STREET**

[The Next President Can Change Banking with One Pick](#) | American Banker

The next president could significantly reshape the regulation of financial services with a single appointment: the Federal Reserve's vice chairman for supervision.

The post was created by the Dodd-Frank Act but never filled, giving the winner of this year's presidential election a huge opportunity to define the role. Exactly how much power that job has is

unclear and in part may depend on how much leeway the eventual vice chair is afforded by Fed Chairman Janet Yellen.

[Clinton Wants to Work With Warren on Wall Street Issues](#) | Morning Consult

[Warren Decries Trump's 'Racism,' Hensarling's Bank 'Giveaway'](#) | Bloomberg

## EXECUTIVE COMPENSATION

[Business leaders must listen hard if they are to rebuild trust](#) | Financial Times

A 51.9 per cent shareholder vote against top management's remuneration plan at Deutsche Bank's annual meeting in Frankfurt in May provided stark evidence of the growing ill-feeling about how companies around the world have been behaving.

The Deutsche Bank vote, which was non-binding, followed a 54 per cent shareholder vote against the pay of Carlos Ghosn, Renault's chief executive, and a 59 per cent vote against the pay of Bob Dudley, chief executive of BP.

In a letter to the Financial Times, Paul Myners, a member of the UK House of Lords, former government minister and experienced company director, described the BP vote as a "defining moment," calling on shareholders to bring an end to a culture of "unseemly greed."

## HEDGE FUNDS AND PRIVATE EQUITY FUNDS

[House Approves Bipartisan Bill To Address Puerto Rico's Debt Crisis](#) | NPR

The House has approved a bipartisan bill to help Puerto Rico tackle its \$70 billion debt crisis, just weeks before a July deadline for the island's next debt payment.

The bill, which still needs to be approved by the Senate, was supported by President Obama, House Speaker Paul Ryan and Minority Leader Nancy Pelosi. Ryan worked closely on negotiations for the bill and urged conservative Republicans to support it, The Associated Press reports.

Protesters gather April 30 outside Puerto Rico's Capitol building in San Juan to oppose Gov. Alejandro Garcia Padilla's budget proposal. The plan would raise taxes to help cover the state's massive debt.

On July 1, Puerto Rico faces a debt payment of \$2 billion, including \$800 million to general obligation bondholders. (General obligation bond repayments are guaranteed by Puerto Rico's Constitution — but a Puerto Rican law passed in April allows the government to freeze payments.)

[Puerto Rico Debt Crisis Bill Passes U.S. House](#) | Wall Street Journal

[SEC Official Puts Broker-Dealer Issue Back on Private Equity's Radar](#) | Wall St. Journal

## HIGH SPEED TRADING AND FINANCIAL TRANSACTION TAX

[Budget Crisis in Illinois Spurs Trading Tax Plan That CME Hates](#) | Bloomberg As Illinois grapples with a budget crisis, lawmakers are floating an old idea in their search for new revenue: a tax on trading on exchanges based in the state, including some of the biggest financial markets in the world.

The bill is in early stages and faces long odds of approval. But the measure -- targeting trades on the Chicago Mercantile Exchange, Chicago Board Options Exchange and other markets -- was up for debate on Thursday at a hearing in Springfield, the state's capital.

[Decision on European financial transaction tax needed soon, Schelling says](#) | Reuters

[The SEC is about to weigh in on the battle that is dividing Wall St.](#) | Business Insider

[Nasdaq Raises Lawsuit Threat Over SEC's IEX Speed-Bump Plan](#) | Wall St. Journal

## MORTGAGES AND HOUSING

[Banking groups urge FHFA to nix proposed language-preference question](#) | Scotsman Guide

Several major groups representing the banking industry have come out against a proposed change that would require lenders to ask borrowers their language preference when applying for the nation's most popular home loans.

The Federal Housing Finance Agency (FHFA) recently redesigned the Uniform Residential Loan Application (URLA) form, which all borrowers must complete when applying for a conventional loan that is to be purchased by Fannie Mae and Freddie Mac. The new form is slated to go into use later this month, but several banking groups say the FHFA has made a last-minute change at the urging of numerous consumer-advocacy groups to include the language-preference question.

In late March, a coalition of more than 120 consumer-facing groups, led by the National Housing Resource Center, the Leadership Conference and **Americans for Financial Reform**, urged the FHFA to include the language-preference question. The letter also noted that these borrowers were often taken advantage of during the era of predatory lending, and this is a rare opportunity to add a useful data-tracking tool. The URLA form hasn't substantially been revised in 20 years, the group's noted.

[Civil rights group wants CFPB to require foreign language mortgage documents](#) | Housingwire

A coalition of civil rights groups is pressuring the Consumer Financial Protection Bureau to enhance protections for mortgage services to potential homeowners who grapple with the English language.

Attorneys at Ballard Spahr, writing in their latest Mortgage Banking Update, in response to the news, said that if the **Americans for Financial Reform** get their way, help will be needed from the Federal Housing Finance Agency, HUD, and the federal banking agencies in order to make these proposals work.

## INVESTOR PROTECTION AND THE SEC

[Why Investors Should Be Wary of Crowdfunded Securities](#) | Wall St. Journal

Some investment opportunities are better in theory than reality. And some don't even measure up in theory. Securities crowdfunding appears to be one such investment, and it's now available to retail investors. While crowdfunding promises the opportunity to get in on the ground floor of the next Google or Facebook and to profit when that company grows and prospers, the odds are extraordinarily slim that crowdfunding investors will hit the jackpot. Much more likely is that the majority of crowdfunding investor will lose some or all of their investment.

### [Fidelity snubs Jamie Dimon's 'code of best practice' group](#) | **Financial Times**

Fidelity, the \$2.2tn asset manager, has walked out of a Jamie Dimon-led effort to create a code of best practice for US boardrooms, underscoring the divisions among the world's top investors over corporate governance.

Mr Dimon, chairman and chief executive of JPMorgan Chase, has led a months-long series of discussions to draw up a blueprint for how boards should conduct themselves and engage with shareholders.

The effort, revealed by the Financial Times in February, involves the leaders of the largest asset management companies and investors such as Warren Buffett. More recently it has expanded to include several big US companies, including General Electric, General Motors and Verizon.

Its aim has been to take some of the heat out of corporate governance controversies by getting the largest US shareholder groups to agree common standards and to promote long-term planning by companies.

## **POLITICAL INFLUENCE OF WALL STREET AND REVOLVING DOOR**

### [The Koch Brothers Are Trying to Handpick Government Officials](#) | **Huffington Post**

On Wednesday, members of the Senate Finance Committee will vote on the nomination of Charles Blahous, a Republican, to serve a second term as a public trustee for Social Security. Mr. Blahous, a prominent opponent of Social Security and the architect of President George W. Bush's efforts to privatize benefits, is part of an army of aggressive conservative ideologues groomed for government service and bankrolled by the Koch brothers. Their purpose is clear — to tilt the game in Washington ever further in favor of corporate special interests. The Senate should reject them.

## **REGULATION IN GENERAL**

### [House committee moves to cut funding for financial regulators](#) | **Reuters**

A bill to slash funding for the U.S. Securities and Exchange Commission, Internal Revenue Service and other financial regulators passed a key committee in the U.S. House of Representatives on Thursday after a long partisan fight.

The expansive legislation would also place a halt on the payday lending restrictions that the Consumer Financial Protection Bureau recently proposed.

The Appropriations Committee voted 30-17 to approve the bill allocating funds for financial services and general government, which now goes to the full House.

### [House Panel Votes \\$1.5B for SEC; Hensarling Looks to End Dodd-Frank](#) | **ThinkAdvisor**

Riders were also attached to the House Appropriations bill to strip the CFPB of its independence and transform it into a five-member commission as well as “stall the CFPB's rule to end the use of forced-arbitration clauses that keep consumers from banding together to hold banks and lending companies accountable in court,” according to **Americans for Financial Reform**.

## **RETIREMENT SECURITY & FIDUCIARY DUTY RULE**

### **[Taking a Hard Look at a Campaign Critical of a Fiduciary Rule](#) | NY Times**

Last week, the United States Chamber of Commerce was among a number of groups that sued Secretary of Labor Thomas E. Perez to block a new fiduciary rule.

The fiduciary rule requires money managers who advise tax-advantaged plans like 401(k)'s to put client interests ahead of their own financial interests when recommending investment products. The White House Council of Economic Advisers estimates that as a result of this conflict of interest, workers saving for retirement lose \$17 billion a year, much of which flows directly into Wall Street's coffers.

As a component of its campaign against the rule, the chamber created a webpage featuring 25 small-business leaders and others "speaking out" against the rule. Nearly all argued that the new rule would harm small businesses.

We tried to contact each of the featured small-business leaders. Public Citizen is now publishing a report, "Sacrificing the Pawns," revealing our findings.

### **[Obama vetoes repeal of his costly fiduciary rule](#) | Wall Street Journal**

### **[Why I Can't Stop Laughing at Paul Ryan's Anti-Poverty Plan](#) | Slate**

Ryan and the GOP would like to abolish the Department of Labor's recently released "fiduciary rule," which once it's fully implemented in 2018 will simply require that investment professionals act in their clients' best interests when offering advice on their retirement accounts. You may be shocked to discover that this is, in fact, a new thing. But traditionally, advisers have been permitted to consider their own bottom lines when deciding where to steer their clients' money, so long as the investments are "suitable" to the customers' needs. That's left the door open for massive and expensive conflicts of interest, since brokers have been allowed to push expensive, high-fee savings products that also happen to offer them a fatter commission, even when their client might just be better off with, say, a low-cost index fund.

### **[Investor Protections in the Cross Hairs](#) | NY Times**

### **[Obama vetoes fiduciary resolution; court sets date for lawsuit](#) | Investment News**

### **[New Rules on Retirement Advice Challenged in Another Lawsuit](#) | Wall St. Journal**

### **[SIFMA CEO: Labor Department Overstepped Its Authority](#) | Bloomberg**

### **[Does Sifma's DOL Lawsuit Willfully Ignore its own Regulatory Views?](#) | Financial Advisor IQ**

### **[Why saving for retirement is about to get a lot more expensive](#) | CNBC**

## **STUDENT LOANS & FOR-PROFIT EDUCATION**

### **[Don't Force Students to Sign Away Their Rights](#) | NY Times**

### **[The Obama Administration Could Cause the Next Big For-Profit College Collapse](#) | Bloomberg**

[Senator Urges Tough Stance on For-Profit Accreditor](#) | Inside Higher Ed

[Should For-Profit Colleges Be Able to Benefit From the G.I. Bill?](#) | NY Times

[For-Profit College Industry, in Freefall, Convenes in Florida](#) | Huffington Post

[Why We Need A Strong Student Debt Relief Rule](#) | Huffington Post

[For-profit colleges have been ripping off veterans since World War II](#) | Business Insider

[University Checking Accounts Don't Make the Grade](#) | NerdWallet

[Obama administration turns up the heat on for-profit college chain ITT](#) | Washington Post

## **SYSTEMIC RISK**

[Banks Gain Ground in Push to Change Derivatives Capital Rule](#) | Bloomberg

The world's biggest banks have argued for years that capital rules punish them for handling clients' derivatives trades. All that lobbying is starting to pay off.

The European Union's financial-services chief, Jonathan Hill, and members of the bloc's parliament recently joined the Bank of England in saying the global capital standard needs to be fixed. At issue is the Basel Committee on Banking Supervision's restriction on bank leverage, which forces lenders to have capital against billions of dollars in collateralized trades done by clients and settled at clearinghouses.

[Banks, Financial ETFs Up Against Higher Capital Requirements](#) | ETF Trends

[Publish the Secret Rules for Banks' Living Wills](#) | Wall St. Journal

## **"TAKE ON WALL STREET" CAMPAIGN**

[Working Families Turn Their Anger at Wall Street Into Action](#) | Sky Valley Chronicle

[Occupy Wall Street, le retour?](#) | Le Monde

**Take On Wall Street** veut aussi créer une taxe sur les revenus de la spéculation, qui irait alimenter un fonds destiné à financer les investissements vitaux pour la collectivité comme les infrastructures ou la santé. Au programme également la suppression de la niche fiscale du carried interest, qui permet aux dirigeants de fonds spéculatifs de payer moins d'impôts sur leurs revenus que le salarié lambda. Une anomalie à laquelle les politiques n'osent pas vraiment s'attaquer, alors qu'en 2015 les 25 patrons de hedge funds les mieux payés se sont partagé 13 milliards de dollars. Les dirigeants des grandes entreprises ne sont pas oubliés non plus : il est prévu de supprimer l'avantage fiscal leur permettant de déduire leurs bonus liés à la performance de l'entreprise.

[Government Refuses To Act, So Citizen Activists Take on Wall Street](#) | Free Speech TV

[Jeb Hensarling Plan Rekindles Debate as Republicans Aim to Dismantle Dodd-Frank](#) | NY Times

## **OTHER TOPICS**

[Goldman Sachs attracts 250,000 student job applications](#) | Financial Times

[Labor groups' report slams banks for sales quotas](#) | LA Times