This Week in Wall Street Reform | June 3—9, 2017

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**TRUMP ADMINISTRATION, CONGRESS, AND WALL STREET**

**Bill to Erase Some Dodd-Frank Banking Rules Passes in House** | NY Times
The House approved legislation on Thursday to erase a number of core financial regulations put in place by the 2010 Dodd-Frank Act, as Republicans moved a step closer to delivering on their promises to eliminate rules that they claim have strangled small businesses and stagnated the economy.

“It's a bill that's so harmful to vast swaths of the American public if it became law,” said Lisa Donner, executive director of Americans for Financial Reform. “It would make it easier for predatory lenders to rip people off. It would make it easier for Wall Street to keep taking $17 billion out of retirees’ pockets by repealing the fiduciary rule. It would make it easier for big Wall Street banks to take the kind of risks in pursuit of short-term gains that go directly to the pockets of the tiny handful of people at the top that led to the financial crisis.”

**House Passes Bill Aimed At Reversing Dodd-Frank Financial Regulations** | NPR
House Republicans voted Thursday to deliver on their promise to repeal Dodd-Frank — the massive set of Wall Street regulations President Barack Obama signed into law after the 2008 financial crisis.

"It is bad for consumers, it is bad for investors, and bad for the stability of the American economy — which is bad for all of us," said Lisa Donner, executive director of Americans for Financial Reform. "People believe there should be more not less regulation of Wall Street. They're worried about regulators being too weak and being too afraid to take on the big guys. Not about their being tough.”

**House votes along party lines to repeal key Dodd-Frank financial reforms** | LA Times
Republicans point out that the number of banks have declined under Dodd-Frank. And they have, from 6,719 in the first quarter of 2010 to 5,031 in the first quarter of this year, Federal Reserve data shows. But that’s the continuation of a steady decline since the mid-1980s, when there were about 14,000 banks.

Despite Republican statements that Dodd-Frank has restricted business lending, statistics don’t bear that out. Commercial and industrial bank loans have increased 77% since hitting a post-crisis bottom in 2010, according to the Federal Reserve. Consumer lending also has not been restrained in recent years.
House Passes Sweeping Bank Deregulation Bill | PoliticoPro

White House praises Financial CHOICE Act | PoliticoPro

During Comey Testimony, House Votes to Repeal Most of Dodd Frank | Ring of Fire
Opponents to the bill argue that rolling back these banking regulations leave Americans vulnerable to another collapse. “It is bad for consumers, it is bad for investors, and it’s bad for the stability of the American economy — which is bad for all of us,” said Lisa Donner, executive director of Americans for Financial Reform.

House votes to kill Dodd-Frank. Now what? | CNNMoney
Hensarling's bill would give the president the power to fire the heads of the Consumer Financial Protection Bureau, a consumer watchdog agency created under Dodd-Frank, and the Federal Housing Finance Agency, which oversees mortgage giants Fannie Mae and Freddie Mac, at any time for any -- or no -- reason.

It also gives Congress purview over the CFPB's budget, meaning lawmakers could defund the agency entirely. The GOP proposal would also bar the Federal Deposit Insurance Corp. from overseeing the so-called living will process, which requires banks to write up plans on how they would safely be unwound in the event of a collapse. The FDIC and the Fed are the two regulators responsible for overseeing this requirement under the 2010 law.

How House Bill Would Dismantle an Array of Dodd-Frank Reforms | NY Times

How the CHOICE Act eliminates key shareholder right | The Hill (Susan Makos)
For nearly 50 years, shareholders have used the shareholder resolution process in Securities and Exchange Commission Rule 14a-8 to raise important issues including human rights, climate change, and irregularities in mortgage practices with the companies they own.

The CHOICE Act, which deals mostly with financial reform regulation, would alter the current rights of shareholders, significantly increasing the ownership requirements of company stock and barring most investors from bringing issues of concern to the attention of the companies they own.

Dodd-Frank Repeal Bill is Target of Contentious Amendments | Roll Call

Lesser-Known Bits of Mayhem in the Financial CHOICE Act | Economy Policy Institute (Josh Bivens and Heidi Shierholz)

Questions Arise as Senate Prepares to Take Up Nomination for Key Trump Regulatory Post | Center for Progressive Reform (Robert Verchick)

Two Questions for Trump's 'Regulatory Czaritsa' Nominee | Center for American Progress (Rebecca Buckwalter-Poza and Joe Valenti)
The 600-page bill is composed of many other narrow measures that have already passed the House panel, some of which have bipartisan support. Rep. Brad Sherman, D-Calif., has identified a dozen of them that pertain to mortgage and business credit, among other things, and has called for Financial Services Committee Chairman Jeb Hensarling to separate those provisions which could pass in a bipartisan fashion.

Yet many of the Choice Act’s provisions are controversial. Chief among them is a dramatic restructuring of the Consumer Financial Protection Bureau, including an elimination of its supervision and rule writing authority, a limitation of its ability to police unfair and abusive acts and eliminating the bureau’s independent funding via the Federal Reserve. The bill would also rename the bureau the Consumer Law Enforcement Agency and give it a dual mandate to include increasing access to credit and financial products rather than only ensuring consumer safety.

Hensarling dodges veterans group’s opposition to Dodd-Frank repeal | PoliticoPro

CHOICE Act Is a Lump of Coal in Our Stocking | Our Future (Liz Ryan Murray)

NJ. Republicans vote to kill regulations on banks that gave them $1B | NJ.com
"The wages of their largesse are reflected in the priorities that are in the bill," said Brian Marshall, policy counsel for Americans for Financial Reform, a coalition of consumer, labor, business, and community groups that supports financial regulations. "The priority is on deregulating the largest financial institutions in the world."

“Wrong Choice” Act Harms CFPB’s Protection of Service Members and Veterans | U.S. PIRG (Ed Mierzwinski)

While you are watching Comey, Congress will vote to take away consumer protections (like it’s 2008) | Bob Sullivan

While You Were Paying Attention to Comey, House Republicans Voted For Everything Big Banks Want | Yahoo

During Recess, Lawmakers Hear From Voters Opposing #WrongCHOICEAct | Medium (Carter Dougherty)
It may not match the (literal) life-and-death drama over health care but the amount of organized pressure on lawmakers over the Financial CHOICE Act, H.R. 10, has been remarkable for an issue — financial regulation — that doesn’t usually stimulate a lot of lively conversation at the water cooler. Then again, the possibility of losing homes and life savings after another financial crisis does matter to ordinary Americans.

As the House of Representatives prepares for a floor vote, this outlandish Wall Street giveaway is enjoying a surprising burst of attention around the country.
**CHOICE Act is the Wrong Choice for the U.S. Economy** | Morning Consult (Gregg Gelzinis)

Passed in the wake of the devastating financial crisis that cost 8.7 million jobs, $19 trillion in wealth and almost 10 million homes, Dodd-Frank put in place consumer and financial stability safeguards to respond to the clear and unmistakable lessons learned during the crisis. The bill being considered by the House, the Financial CHOICE Act, would eviscerate these safeguards, putting the U.S. economy and taxpayers in the same perilous position as prior to the financial crisis.

**The G.O.P. Plan to Unleash Wall Street** | NY Times (Mike Konczal)

The Republicans argue that the Choice Act makes Wall Street angry. It’s tough to imagine how, when the vast number of changes amount to an industry wish list of the biggest banks. It repeals the miniature Glass-Steagall reform known as the Volcker Rule, which separates out high-risk proprietary trading from commercial banks. It removes the F.D.I.C.’s role of reviewing banks’ living wills — new procedures that make banks and regulators plan for a potential bank failure, presumably because the F.D.I.C. demands that they be stronger. It takes out language requiring firms that got bailouts to continue to be subject to stronger regulations. It allows industry to choose to ignore a wide range of regulations if they decide to adopt a single, easy-to-manipulate, balance-sheet metric. It eliminates a consumer complaint database the C.F.P.B. maintains.

**The GOP Loves Banks More Than It Loves You** | U.S. News (Pat Garofalo)

**Congress Made the Wrong Choice: Destroying Financial Reform** | Demos (Amy Traub),

**Another Week of Weakening Labor Laws and Making Us More Susceptible to a Financial Crisis** | Economic Policy Institute (Heidi Shierholz and Celine McNicholas)

**Small Business Owners Tell House Members: You Made the Wrong CHOICE** | Main Street Alliance (Angela Simaan)

**House Republicans Trying to Pass the Most Dangerous Wall Street Deregulation Ever** | Mother Jones (Hannah Levintova)

“We with this bill, fraud becomes easier, consumer abuse becomes easier, reckless lending becomes easier, speculation becomes easier,” says Carter Dougherty, communications director of the left-leaning Americans for Financial Reform. “The chances of another financial crisis rise immeasurably with the passage of this legislation.”

See statements on passage by Americans for Financial Reform, Center for American Progress, Leadership Conference on Civil and Human Rights, Fair Arbitration Now, National Consumer Law Center, US SIF

See also Consumer Federation of America study on the Impact of the CHOICE Act on Military Families
Three Dodd-Frank changes that could actually pass Congress | American Banker
Some believe that enough Democrats could support a figure between $100 billion and $250 billion, but Marcus Stanley, policy director at Americans for Financial Reform, said a threshold level as high as $150 billion would be hard to support.

“That is a pretty big number from our perspective,” said Stanley, while noting that it would mean all but the 22 largest banks would be excluded from the tighter requirements.

Finally, the structure of the Consumer Financial Protection Bureau remains a possible area of bipartisan agreement — though it’s far from a slam dunk Stanley said changing the structure would be a mistake. “We think that is a pretty fundamental change in the nature of the CFPB and a harmful one,” he said.

A Choice for Wall Street | Wall St Journal
Parts of the legislation could be tucked into budget reconciliation, including changes to the CFPB and the orderly liquidation authority. Mr. Hensarling is ready to negotiate, and Senate Banking Chairman Mike Crapo (R., Idaho) needs to show he’s more than a front man for the big banks.

Now is the time for business leaders to dump Trump - for the good of the country | Washington Post (Steven Pearlstein)
All the talk about rolling back regulation, cutting taxes and privatizing government functions turns out to be mostly that — just talk. In reality, the administration has no credible plan to replace Obamacare, no credible tax reform plan, no infrastructure proposal and no immigration policy. And without effective leadership from the White House, there is little likelihood that any legislation on these topics will emerge from a fractured Congress.

Promised ‘haircut’ of financial regulations likely to be just a ‘trim’ | The Hill (David Scharf)

Republicans take knife to post-crisis Wall Street reforms | Complinet

Trump is courting disaster by not fully staffing the government | Washington Post (Jennifer Rubin)
Consider the disasters that the Trump team is courting. Another major Wall Street swindle comes to light, but the president has not bothered to fill the open spots on the Securities and Exchange Commission. Moreover, the Trump administration is not effectively in charge of substantial policy areas unless it fills open posts.

Trump picks former Mnuchin business associate as bank regulator | PoliticoPro
President Donald Trump said today he will nominate Joseph Otting, who once ran a bank founded by Treasury Secretary Steven Mnuchin, as comptroller of the currency, a key bank regulator.
Trump's choice of Mnuchin ally as bank cop leaves Democrats fuming | Politico

Senate Democrats are gearing up to fight President Donald Trump's nomination of an ally of Treasury Secretary Steven Mnuchin for a key bank regulatory position because of his links to controversial foreclosure practices during the financial crisis. Joseph Otting, former CEO of Mnuchin’s one-time bank, OneWest, was tapped Tuesday as comptroller of the currency, overseeing the agency that supervises the daily operations of national banks.

Democrats unhappy with Otting nomination as top bank regulator | PoliticoPro

See statement by California Reinvestment Coalition

Trump to pick Mnuchin ally Brooks for No. 2 job at Treasury | PoliticoPro

Trump sides with Mnuchin on debt ceiling strategy | PoliticoPro

Growing the Economy: The Other Big Story in Washington This Week | Medium (Rob Nichols)

As Washington focuses on former FBI Director James Comey’s testimony this week, something else will be happening in the nation’s capital that will have a far greater impact on the U.S. economy. Congress and the administration will both take initial steps to fix regulatory rules that are hurting banks’ ability to serve their customers and communities, and are holding back economic growth

Deutsche declines to provide House Democrats information on Trump dealings | PoliticoPro

Deutsche Bank declined a request by House Democrats for information about its financial dealings with President Donald Trump, arguing that it is bound by confidentiality rules.

"Federal law requires that financial institutions such as Deutsche Bank maintain the privacy of their customers and the confidentiality of information relating to those customers," Akin Gump lawyers Steven Ross and Leslie Kiernan said in a letter on behalf of the bank.

CFPB AND CONSUMER FINANCE

How CFPB lawsuit puts spotlight on other agencies’ independence | American Banker

The Consumer Financial Protection Bureau is in the direct crosshairs of a federal lawsuit questioning the bureau's leadership structure. But in a larger context, it might be the independence of all federal agencies on trial.

Consumer bureau defenders brace for House vote on Dodd-Frank rollback | The Hill

A kinder gentler arbitration process for U.S. financial consumers | Reuters (Lawrence Hsieh)

Wells Fargo's customers had tried to "have their day in court" and sue over the bank's opening of fake accounts in their names. The bank, however, invoked mandatory arbitration provisions in the contracts that the customers assented to when they opened real accounts. Mandatory arbitration provisions in consumer contracts require aggrieved customers to waive their rights to pursue class action claims
and instead to resolve their disputes through individual arbitration, which many consumers perceive as biased in favor of companies.

The scandal would appear to give Cordray the momentum to formally issue a controversial rule proposed by the CFPB in May, 2016 to ban class action waivers in consumer financial services contracts.

**Trump administration allows nursing homes to force abused seniors into binding arbitration** | Boing Boing

**An arbitration victory that raises trust issues** | McKnight's Senior Living (John O'Connor)

**AT&T uses forced arbitration to overcharge customers, senators say** | Ars Technica
Five Democratic US senators allege that AT&T's use of forced arbitration clauses has helped the company charge higher prices than the ones it advertises to customers.

The senators pointed to a CBS News investigation that described "more than 4,000 complaints against AT&T and [subsidiary] DirecTV related to deals, promotions and overcharging in the past two years." But customers have little recourse because they are forced to settle disputes with AT&T in arbitration, according to Sen. Al Franken (D-Minn.), Richard Blumenthal (D-Conn.), Ron Wyden (D-Ore.), Patrick Leahy (D-Vt.), and Edward Markey (D-Mass.).

**Fitbit Using Kindred To Keep Up Arbitration Args, Users Say** | Law360

**Wells Fargo case shows how fine print can erode freedom** | Deseret News (Amanda Wener and Christopher Peterson)
On June 7, a Utah judge will decide whether more than 50 consumers defrauded by banking giant Wells Fargo in its fake account scandal will be forced to pursue claims one by one in a secret arbitration system. Even as the bank’s PR machine loudly trumpets a focus on restoring consumer trust, Wells Fargo is insisting once again that defrauded customers should be barred from having their day in court.

**Cordray encourages credit card companies to use zero-interest promotions** | PoliticoPro
CFPB Director Richard Cordray today encouraged top credit card companies to use promotional periods that charge new credit card holders zero interest rather than deferred interest.

**Low-income People More Likely to Become 'Credit Visible' for Negative Events** | PoliticoPro
Low-income individuals are more likely to first appear in credit agency files through negative circumstances like debt collection, a study by the Consumer Financial Protection Bureau concludes.

The bureau found that consumers in lower-income areas were 240 percent more likely to be made "credit visible" by a negative event. The number of consumers who became visible to the credit system due to student loan debt also doubled over the last 10 years.
CFPB reverses course on key part of debt collection proposal | American Banker

See statement by National Consumer Law Center.

Sorry House GOP, predatory lending oversight has bipartisan support | The Hill (Paul Bland and Leslie Bailey)
The House of Representatives will vote Thursday on the Financial CHOICE Act, Rep. Jeb Hensarling's (R-Texas) attempt to repeal and replace the Dodd-Frank Act. According to its sponsors, the CHOICE Act will “create hope and opportunity” for consumers by, among other things, “holding Wall Street accountable.” But tucked down toward the bottom of the nearly 600-page bill is a provision that is plainly designed to make sure the very worst players of Wall Street — payday lenders, and the banks that may soon partner with them — will be free to cheat consumers at will. Section 733 of the act would, with the stroke of a pen, eliminate the Consumer Financial Protection Bureau's authority to regulate payday loans.

Staking out banks’ place in the open financial web | American Banker
Brett Pitts, who serves as head of digital for Wells Fargo virtual channels, and his team have spent the last few years working with fintech companies, data aggregators and regulators on ways they could unite to let customers share financial data with the app of their choosing without disclosing their bank credentials. Last year, those conversations gave way to partnerships for the San Francisco bank.

Wells Fargo made an industry splash in announcing last June an application programming interface with Xero, a partnership that lets small businesses port their bank data directly into the accounting software — without sharing their credentials. Since then, the bank has announced similar partnerships with Intuit, the owner of Mint and Quickbooks, and Finicity, a data aggregator that supplies financial data to apps ranging from online lending to money management.

Treasury report praises CDFI program that Trump would cut | American Banker
A report quietly released by the Treasury Department last week supports the performance of the Bank Enterprise Award program, saying there is “clear evidence” it helps recipients provide financial services to the most underserved communities.

DERIVATIVES, COMMODITIES, AND THE CFTC

Giancarlo says CFTC weighs shifting some enforcement to other agencies | PoliticoPro
The head of the U.S. derivatives regulator says he wants to defer some of the agency's enforcement work to other civil and criminal watchdogs, a move that could save money and justify his request to Congress for a modest budget increase in fiscal 2018.

Trump win key lawmaker’s backing over CFTC chief on budget | PoliticoPro
The top House Republican overseeing the Commodity Futures Trading Commission's budget on Thursday rejected the agency chief's request for more money than the White House has proposed, saying the dollar amount is sufficient.
EXECUTIVE COMPENSATION

It's Time for Trump to Do Something About High CEO Pay | Fortune (Steven Clifford, Sarah Anderson)
While President Donald Trump bashed high CEO pay on the campaign trail, since taking office, he hasn’t raised the slightest concern about his fellow Republicans’ crusade to repeal Obama-era executive compensation reforms.

FEDERAL RESERVE

Trump Said to Pick Nominees for 2 Positions on Fed Board | NY Times
The Trump administration has selected candidates for at least two of the three open positions on the Federal Reserve’s Board of Governors, according to people with direct knowledge of the decision.

The expected nominees include Randal K. Quarles, a Treasury Department official in the George W. Bush administration, and Marvin Goodfriend, a former Fed official who is now a professor of economics at Carnegie Mellon University.

INVESTOR PROTECTION AND THE SEC

Supreme Court limits SEC’s power to recover ill-gotten gains | Reuters
The U.S. Supreme Court on Monday scaled back the Securities and Exchange Commission's power to recover ill-gotten profits from defendants' misconduct, handing Wall Street firms a victory and dealing another blow to the regulator's enforcement powers.

In a 9-0 ruling, the Supreme Court found that the SEC's recovery remedy known as "disgorgement" is subject to a five-year statute of limitations. The justices sided with New Mexico-based investment adviser Charles Kokesh, who previously was ordered by a judge to pay $2.4 million in penalties plus $34.9 million in disgorgement of illegal profits after the SEC sued him.

The ruling represented a major victory for Wall Street firms, whose Securities Industry and Financial Markets Association trade group had urged the justices to curb the SEC's powers in order to provide more certainty and predictability to the enforcement process.

Investor protection rule will fight for Americans - we must fight for it | The Hill (Marnie Lambert)

New SEC enforcement chiefs see cyber crime as biggest market threat | Complinet

Latest U.S. spoofing cases show regulators’ focus, highlight chat rooms | Complinet
The misuse of chat rooms has been a central component in many recent cases where market manipulation, collusion, or "spoofing" was involved. The electronic record of communication has proven to be a proverbial smoking gun for prosecutors and regulators in a string of cases, which is likely to continue.
The Securities and Exchange Commission announced Thursday that veteran litigator and former prosecutor Steven Peikin will co-direct its enforcement division. Mr. Peikin has been a partner at Sullivan & Cromwell LLP, the law firm where SEC Chairman Jay Clayton worked before taking over the commission in May. Mr. Peikin, 51 years old, will share the director role with Stephanie Avakian, who has served as the SEC’s acting enforcement director in recent months. He is scheduled to start his new post on June 26.

SEC charged Salt Lake City brokerage with ‘routinely’ failing to report suspicious activity | Complinet

SEC names co-directors for enforcement | PoliticoPro

MORTGAGES AND HOUSING

Profiting off pain: Trump confidant cashed in on housing crisis | Reveal
One of President Donald Trump’s closest friends and confidants took advantage of the Great Recession to build an unprecedented real estate business that makes him tantamount to a modern-day slumlord – buying up homes, bumping up rents and allowing the properties to fall into disrepair.

Southern California billionaire Thomas J. Barrack is the mastermind behind the scheme, founding a company five years ago that has taken 31,000 single-family homes off the housing market and calling it “the greatest thing I’ve ever done.”

Patenaude’s Housing Message Will hit Home with Democrats | PoliticoPro

Carson defends HUD cuts, stressing self-sufficiency and efficiency | PoliticoPro

Bright expected to fill No. 2 slot at Ginnie Mae | PoliticoPro
Michael Bright is expected to be named executive vice president and chief operating officer at Ginnie Mae, according to people familiar with the White House decision. The job, the No. 2 slot at the housing finance agency, does not require Senate confirmation.

REGULATION IN GENERAL

Trump ‘regulatory czar’: Two-for-one rule can work | The Hill
In responding a question from Sen. Ron Johnson (R-Wis.), Neomi Rao said Trump’s order requiring agencies to eliminate two rules for every new rule proposed is “an important step for considering how to reduce the overall regulatory burden.”
“The way I think it will work in practice is that agencies will identify regulations to eliminate and those regulations that might be ineffective ones or excessively burdensome,” she told the Senate Homeland Security and Governmental Affairs chair.

See Public Citizen’s Press Release on Neomi Rao, Trump’s nominee for administrator of the U.S. Office of Information and Regulatory Affairs (OIRA)

Pro-reg group pushes back on Trump's 'regulatory czar' pick | The Hill

Under Trump, regulation slows to a crawl | PoliticoPro

Regulatory Accountability Act Would Let Corporations Rig the Rules and Block Lifesaving Protections | Public Citizen (David Rosen)

**RETIREMENT**

Labor chief says he can't snap his finger and undo Obama rule | The Hill
Labor Secretary Alexander Acosta pushed back Wednesday when asked why his department is implementing a financial adviser rule put in place by the last administration, telling lawmakers he can't snap his fingers and undo a regulation.

Republicans on a House Appropriations subcommittee pressed Acosta on the Obama-era financial adviser rule, which he announced last week would take effect on June 9 after the department found no legal basis for a further delay.

Labor department’s fiduciary rule takes effect | Marketplace

Fiduciary Rule Is Now (Partially) in Effect | Wall St Journal

Now, Your Financial Advisers Will Have to Put You First (Sometimes) | NY Times

Starting Friday, financial advisors must act in your best interest... maybe | The Hill (Heidi Shierholz)

What Does the ‘Fiduciary’ Rule Mean for You? | Consumer Federation of America (Barbara Roper)

The Data Are In...and Show That the Fiduciary Rule Will Help Retirement Savers | Economic Policy Institute (Monique Morrissey)

Trump Wrecking Ball Misses Fiduciary Rule | AFSCME (Pablo Ros)

See AFR statement, “Fiduciary Rule, Win for Retirement Savers, Takes Effect Today After Years-Long Effort”
People in States Represented by the Cosponsors of the CHOICE Act Lose $12.1 Billion Each Year Due to Conflicted Retirement Advice | Economic Policy Institute (Heidi Shierholz)

DOL Fiduciary Rule Explained as of June 9th, 2017 | Investopedia
The rule expands the “investment advice fiduciary” definition under the Employee Retirement Income Security Act of 1974 (ERISA). If this sweeping legislation (1,023 pages in length) is not stopped outright, it will automatically elevate all financial professionals who work with retirement plans or provide retirement planning advice to the level of a fiduciary, bound legally and ethically to meet the standards of that status. While the new rules are likely to have at least some impact on all financial advisors, it is expected that those who work on commission, such as brokers and insurance agents, will be impacted the most.

This New Rule Makes It Harder for Your Broker to Take Advantage of You. Here’s What You Should Know | Time
After nearly a decade of back and forth between the financial industry and consumer advocates, the Department of Labor is rolling out the first phase of the so-called fiduciary rule, which requires financial advisors to act in your best interests. As of Friday, anyone who handles retirement assets and gives advice—this includes financial professionals of all types, whether they call themselves brokers, financial advisors, financial planners, or wealth managers—must adhere to a new “impartial conduct standards.”

While the new obligations to clients are going into effect now, the rule's remaining provisions (including one that would allow investors to bring class actions) are slated to roll out on Jan. 1, 2018. There is also a Labor Department review underway to determine if the second part of the rule is necessary. The Labor Department has said it won’t penalize anyone who doesn’t follow the new standards until they are completely finalized.

What to Know About the New Investor Advice Rule | AARP
Years in the works by the Department of Labor, this so-called fiduciary rule sets a higher standard for brokers and other financial professionals than what’s been required of them for decades under federal pension law.

“We think this is the most significant positive impact for retail investors in the last 40 years. It's a big change,” says Jon Stein, CEO of Betterment, a New York-based portfolio management firm. “It protects people who are getting retirement advice.”

The rule took effect last year, although advisers originally had until April to comply. But President Donald Trump this year asked the Labor Department to review the rule, which pushed the compliance deadline to June 9. Meanwhile, the Securities and Exchange Commission announced it was seeking public comment on whether it should introduce a fiduciary standard to a broader group of advisers.

DOL Sends Fiduciary Rule RFI to OMB | PoliticoPro
DOL Takes First Step Toward Fiduciary Rule Changes | Think Advisor
The Department of Labor released Wednesday morning a request for information seeking public input on potential further changes to its fiduciary rule, which takes effect Friday.

U.S. Labor Department Takes Steps to Reconsider Fiduciary Rule | Wealth Management

Financial Industry Targets Obama Regulation As It Goes into Effect | Washington Examiner
The financial industry lobbied hard over the past year and a half to stop the Obama administration from implementing the fiduciary rule, as it is known. Conflicts of interest in the industry, with brokers steering clients into inappropriate high-fee investment products in return for kickbacks, cost savers $17 billion annually, the Obama White House calculated.

Anecdotally, many firms have begun preparing for the rule by moving away from commissions and toward a flat fee for investment advice or by limiting human advice provided to small savers in favor of cheaper robo-advisers.

Yet those gains could be lost if the Labor Department's rule were to be rolled back, said Marcus Stanley, a policy expert with the left-leaning group Americans for Financial Reform. "There's money to be made by steering people into products that are the wrong products for them," he said, meaning that some brokers would return to bilking clients in the absence of enforcement.

Isakson introduces bill to block fiduciary rule | PoliticoPro
The rule, part of which will take effect Friday, requires broker dealers to consider only their client's best interest — and not commissions or fees — when providing retirement advice. Critics of the rule say that it will only limit access to retirement advice for small savers and increase litigation.

Isakson's bill also outlined an alternative best interest standard.

Roe, Roskam Introduce Bill to Repeal Fiduciary Rule | PoliticoPro
Representatives Phil Roe (R-Tenn.) and Peter Roskam (R-Ill.) introduced legislation today to repeal the Obama administration's fiduciary rule.

The rule requires broker dealers to consider only their client's best interest — and not fees or commissions — when providing retirement advice. Although part of the regulation will take effect Friday, the Labor Department sent a request for information about the rule earlier this week.

Roe and Roskam's bill also outlined a new "best interest" standard.

In a written statement, Roe said that the bill "reflects a more responsible solution that will ensure all Americans have access to affordable retirement advice that's in their best interest."

Fiduciary rule leads to costly changes, protests at 13 top firms | Financial Planning

Four ways retirement saving is about to change | Reuters

SEC Calls for More Study of Fiduciary Standard... Will Action Ever Follow? | Huff Post (Barbara Roper)
Heated comments pour in after SEC’s invite on ‘standards of care’ | Regulatory Compliance Watch
SEC Chairman Jay Clayton’s call for comments about whether the agency should consider a rule touching on the “standards of care” for investment advisers and broker-dealers has already attracted strong words (IA Watch, June 2, 2017).

Edward Jones changing stance on mutual fund commissions in IRAs | Investment News
Edward Jones is reconsidering its ban on mutual fund commissions in individual retirement accounts under the Department of Labor fiduciary rule, and hopes to roll out a new account option by midsummer that would allow advisers to use such investments with clients in brokerage IRAs.

Edward Jones, which houses 15,000 advisers, last summer indicated it would disallow advisers from selling mutual funds on commission after the fiduciary rule took effect, absent more consistent pricing for products among asset managers.

Why the fiduciary rule will boost RIA recruiting | Financial Planning

When Robos Go Bad | Wealth Management
When robo advice platforms first surfaced several years ago, many flesh-and-blood financial advisors were afraid that these tools would make them obsolete — or least force them to lower their fees. (Much of that fear has subsided.) But robo advisors are susceptible to the same conflicts of interest that have affected human advisors.

In a recent essay, Regulating Robo Advice Across the Financial Services Industry, Tom Baker and his colleague, Benedict G. C. Dellaert of Erasmus University Rotterdam, evaluate the challenges to regulating the automated advice industry in a land where existing laws are designed for living, breathing human beings. For example, while most existing robos are based on low-cost passive strategies that provide market exposure, Baker says it could become a big problem if robos start promising to beat the market.

Disabled clients lost $500K in TD Ameritrade chatroom: filing | Financial Planning

STUDENT LOANS AND FOR-PROFIT SCHOOLS

Education Dept. Gives Firm Hint at Rollback of Gainful-Employment Rule | Chronicle of Higher Education

Trump Will Push Apprenticeships, Using Accreditation and Student Aid | Chronicle of Higher Education

Thousands of college students nervously await word on their loans | Komo News (WA)

California to feds: Speed up loan forgiveness for Corinthian students | San Jose Mercury News
AG Becerra Announces Outreach Program For Corinthian Students Who May Be Eligible for Loan Cancellation | Yubanet

Crunch time for decision on higher ed regs | Politico
Education Secretary Betsy DeVos will be back on Capitol Hill this week to pitch the Trump administration’s budget proposal — yet some of the biggest action from her agency this month will be on the regulatory front. The Education Department is up against a looming July 1 deadline to take action on two major Obama-era rules that affect colleges and universities, particularly for-profit schools. Decisions include borrower defence to repayment package of regulations and the gainful employment rule.

Warren: It's time to hold DeVos accountable (opinion) | CNN (Elizabeth Warren)
Last week, Secretary DeVos and President Trump’s Department of Education released a budget that would upend the student aid program and make it much harder for students to afford college and repay their student loans. At the same time, the head of the federal student aid office abruptly resigned amid reports of political meddling by DeVos.

Now that DeVos is responsible for appointing the next head of the trillion dollar federal student aid office, we should all be very concerned that she may pick another person who also prioritizes the student loan industry and predatory colleges above students.

SYSTEMIC RISK

Why Regulators Are Needed to Handle Failed Banks | NY Times (Mark J. Roe)
The House bill’s supporters trust the judgment of the failed bank executives over that of the United States to keep the economy steady. They seek to avoid a bailout but put considerable power into the hands of those it fears would be bailed out.

Worse, in a broad financial crisis with many megabanks tottering, the government’s response needs to be coordinated and coherent. Bankruptcy judges cannot caucus and come up with a common policy. They cannot provide liquidity to the stumbling bank and neither can other megabanks because they would all be hoarding liquidity in a crisis. Only the government can, and the only formal channel for it to do so is embedded in the regulatory-led restructuring mechanism.

For megabanks with global operations, American regulators need to coordinate actions with regulators abroad. Bankruptcy judges cannot coordinate a systemwide response and to develop international understandings. That response needs staff and financial experience, which the regulators have.

Fed Grants Volcker Extension for Illiquid Funds at Three Banks | PoliticoPro
The Federal Reserve today said it was giving three banks up to five years to bring certain illiquid funds into compliance with the Volcker rule.
The approval for SVB Financial Group and the U.S. units of Deutsche Bank and UBS comes after the Fed announced in December that banks could apply for such extensions.

The Volcker rule bans banks from engaging in proprietary trading and from having certain relationships with hedge funds and private equity funds.

**House Financial Services chair won’t support Glass-Steagall revival** | The Hill

**Fed gives extension on complying with part of Volcker rule to three banks** | Complinet

The U.S. Federal Reserve on Wednesday gave extensions of up to five years to Deutsche Bank, SVB Financial Group, and UBS Group on complying with part of the Volcker Rule that deals with illiquid funds. The central bank said the three need more time to divest legacy illiquid funds in order to comply with the rule's limits on their stakes in private equity and hedge funds. The rule, part of the 2010 Dodd-Frank Wall Street reform law, limits the types of trading banks can conduct with their own money, as a way to curb speculation in financial institutions.

**Fed grants Volckner extension for illiquid funds at three banks** | PoliticoPro

**Warren Draws Red Line in Senate Bank Deregulation Debate** | PoliticoPro

Sen. Elizabeth Warren said today she wants to keep in place a regulation that subjects banks with more than $50 billion in assets to stricter rules under the 2010 Dodd-Frank law.

Warren said it would be "really dangerous to mess with the $50 billion threshold."

Regional banks are lobbying for legislation that would eliminate the threshold and leave it up to regulators to pick which banks would be subjected to tougher oversight.

**Fed governor sees review of crisis-era regulations, more guidance on stress tests** | Complinet

**GOP lawmaker wants to hear more about Glass-Steagall return** | American Banker

The door may still be open for Republicans to seek some type of return of the Glass-Steagall Act.

In an interview Wednesday, Sen. John Kennedy, R-La., said he would like to flesh out that idea as policymakers move forward with regulatory reform.

**Noreika temporarily recused from OCC matters involving JPM, BofA, others** | PoliticoPro

(Victoria Guida)

Acting Comptroller of the Currency Keith Noreika has temporarily recused himself from participating in matters involving 16 banks under his agency's jurisdiction, including some of the largest lenders it supervises. His recusal list, based on his past work as an attorney, includes JPMorgan Chase… Bank of America… Citigroup… Goldman Sachs… Deutsche Bank… Barclays… and PNC...