# THIS WEEK IN WALL STREET REFORM

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## *Big Picture*

**Federal Reserve Releases FMOC Statement**
Fed Press Release
September 21, 2011

*"Information received since the Federal Open Market Committee met in August indicates that economic growth remains slow. Recent indicators point to continuing weakness in overall labor market conditions, and the unemployment rate remains elevated. Household spending has been increasing at only a modest pace in recent months despite some recovery in sales of motor vehicles as supply-chain disruptions eased. Investment in nonresidential structures is still weak, and the housing sector remains depressed. However, business investment in equipment and software continues to expand. Inflation appears to have moderated since earlier in the year as prices of energy and some commodities have declined from their peaks. Longer-term inflation expectations have remained stable." Click here for more.*

**Fed Will Shift Debt Holdings to Lift Growth**
Binyamin Appelbaum (NYT)
September 21, 2011

*"The Federal Reserve announced an unconventional plan on Wednesday to reduce borrowing costs for businesses and consumers, trying once more to spur economic growth despite urgings from Republicans that it refrain from any expansion of its stimulus program." Click here for more.*

**Big bank bailouts less likely. Thanks Dodd-Frank!**
Jennifer Liberto (CNNMoney)
September 21, 2011

*"When Moody's downgraded three banks on Wednesday, it gave a big thumbs up to the Dodd-Frank Wall Street reforms that aim to ensure there won't be any more big bank bailouts. Moody's made clear it believes that the U.S. government is less likely to step in to save a troubled bank, and downgraded Bank of America (BAC, Fortune 500), Wells Fargo (WFC, Fortune 500) and Citigroup (C, Fortune 500)." Click here for more.*

**CEPR - Why Do the Bankers Decide How Many People Will Be Unemployed?**
Dean Baker
September 21, 2011

*"The Federal Reserve Board's Open Market Committee (FOMC) met today and decided on a modestly expansionary monetary policy. It decided to unload $400 billion worth of short-term assets over the next 9 months and replace them with longer term government bonds. The idea is that this would place some downward pressure on long-term interest rates. The effect on interest rates and the economy is likely to be very modest. It is unlikely that long-term rates would fall by even 20 basis points (0.2 percentage points) as a result of this action and more likely the effect would be closer to 10 basis points, but at least it is a step in the right direction. This will make it cheaper for people to buy a car or refinance a mortgage. It will also be cheaper for firms to borrow to invest. It would have been good to see stronger action, but this is what the FOMC was prepared to do." Click here for more.*

**Do Regulations Really Kill Jobs Overall? Not So Much**
Marian Wang (ProPublica)
September 21, 2011

*"It's become a mantra on Capitol Hill and a rallying cry for industry groups: Get rid of the job-killing regulations. In recent days, with nearly every one of the GOP presidential candidates repeating that refrain, the political echo chamber has grown even louder. Earlier this month, President Obama also asked the Environmental Protection Agency to back off more stringent ozone regulations, citing the 'importance of reducing regulatory burdens' during trying economic times." Click here for more.*

**Op-ed - Corporate efforts to remove workplace safeguards threaten health, safety, quality of life**
John Shinn (Newark Star-Ledger)
September 21, 2011

*"Do you trust Wall Street and corporate CEOs to protect our jobs, living standards and clean air and water — or do you think public oversight is needed? That question is being debated in state capitals and in Congress, and all of us — not just corporate special interests — need to make ourselves heard. Taking advantage of weakened oversight under the Clinton and Bush administrations, Wall Street destroyed millions of jobs through financial speculation and manipulation. Now, U.S. corporations are sitting on the largest profits and cash reserves in history. Yet they are lobbying to further weaken public safeguards and create even more special tax subsidies for themselves. …*John Shinn is a sub-district director of the United Steelworkers union and a member of the board of directors of the New Jersey Work Environment Council, a coalition of unions and environmental organizations.*" Click here for more.*

**Dodd-Frank Act a Favorite Target for Republicans Laying Blame**
Edward Wyatt (NYT)
September 20, 2011

*"On the stump, words like 'Obamacare' roll off the tongue. 'Swap execution facility,' not so much. That has not stopped Republican presidential candidates from using the Dodd-Frank Act, the sprawling regulatory effort to address the causes of the financial crisis, as their newest anti-Obama target for what ails the economy. Republicans have repeatedly invoked the law's 848-page girth — and its rules on, among other things, trading derivatives and swaps — as a symbol of government overreach that is killing jobs." Click here for more.*

**Bachus Criticizes Excessive Regulation: Onsite Coverage**
Claude R. Marx (Credit Union Times)
September 20, 2011

*"House Financial Services Committee Chairman Spencer Bachus said Tuesday an overabundance of regulation is hampering the nation's economic recovery. 'Regulation is killing America,' the Alabama Republican told NAFCU's Congressional Caucus at the Mayflower Hotel. He said the government issues a new regulation once every two hours and 20 minutes. To make his point, an aide brought a box filled with regulations which he brought out in several large piles. He said the financial overhaul bill that Congress passed last year will cost several billion dollars to implement." Click here for more.*

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## *Grassroots Activities*

**Protests? Yes. Riots? No.**
Peter Dreier (Huffington Post)
September 20, 2011

*"On his radio show last week, New York Mayor Michael Bloomberg warned that rising unemployment and poverty in the United States are a ticking time bomb that could explode in a wave of riots. 'You have a lot of kids graduating college can't find jobs,' Bloomberg said. 'That's what happened in Cairo. That's what happened in Madrid.' He reminded listeners about the uprising that overthrew Egypt's President Hosni Mubarak and the recent protests against the Spanish government's austerity measures. 'You don't want those kinds of riots here.' Bloomberg is right. We don't want riots. But we could certainly use more protest -- the kind of non-violent civil disobedience that propelled the women's suffrage, labor, civil rights, and environmental movements throughout the 20th century." Click here for more.*

**The New Bottom Line** *(see "Upcoming Events" for schedule of actions)*

**Foreclosure Victims Plan Protests Across U.S.**
Ann Brenoff (AOL Real Estate)
September 19, 2011

*"Victims of the foreclosure mess and housing crisis are taking to the streets -- literally. Street demonstrations are being planned in 10 cities, and in the crowd at the first one you are going to see Dixie Mitchell, a 74-year-old cancer survivor who refinanced her paid-off home to help one of the foster kids in her care -- and is now losing it in a foreclosure. … The New Bottom Line said that it is targeting 'big banks that bankrupted the country and drained wealth from American families.' The direct actions primarily target JPMorgan Chase, Bank of America and Wells Fargo, and include taking over bank buildings, meetings of corporate officials, civil disobedience, prayer vigils and mass mobilizations." Click here for more.*

**Key Question of 2012: Do You Represent the People or the Banks?**
Kai Wright (Color Lines)
September 20 2011

*"This is an increasingly polarized era, and not because of the oft-discussed, but frankly unremarkable partisan divide. Rather, our poles are Dickensian. …For the masters of the investment universe, the recession was harrowing but brief and, ultimately, quite profitable. Last year was among Wall Street's best on record and most of the biggest banks are doing rosy business this year, too, save Bank of America. There are many reasons for that success, but largest among them is a suite of policy decisions made in Washington. A combination of bank bailouts, aggressive monetary policy and the Treasury's refusal to hold banks accountable for the bad mortgages on their books have propped up the financial sector." Click here for more.*

**11 Demonstrators Arrested at J.P. Morgan Chase, Seattle**
Alternet.org
September 21, 2011

*"Today, at J.P. Morgan Chase in Seattle, police arrested eleven protestors demanding Wall Street pay their fair share of taxes. The action was the first of a series of ten to be launched by The New Bottom Line, a coalition of organizers and individuals 'working together to build a movement that challenges established big bank interests on behalf of struggling and middle-class communities.'" Click here for more.*

**Eleven arrested at Seattle demonstration - Protest court finds bank CEOs guilty**
Scott Taylor (King County Progressive Examiner)
September 21, 2011

*"A protest march begun at Chase Bank's downtown Seattle headquarters proceeded down 2nd Ave, up University to the Chase branch at 3rd Avenue and University on Wednesday afternoon, September 21, 2011. The protestors were marching to draw attention to unfair banking practices by Chase Bank and other large banks including foreclosing on homes without proper paperwork and laying off thousands of workers despite making billions of dollars in profit since being bailed out by the government." Click here for more.*

**Coordinated Bank Protests Hit Seattle, Cle Elum**
KIRO 7 (Seattle, WA)
September 21, 2011

*"KIRO 7 Reporter Essex Porter was at Suncadia Resort in Cle Elum, where the Association of Washington Business Summit was taking place. A protest sign decrying economic inequity hung from giant balloons over the main road to Suncadia. Extra security was provided by Sheriff's deputies; organizers were prepared to keep protesters to disrupt the proceedings inside the lodge." Click here for more.*

**Additional press coverage:** Associated Press, KPLU (NPR affiliate), Daily Record News, KING 5 (NBC affiliate), Seattle Times, The Stranger, and Daily Record.

**Protesters Accuse Bank of Neglecting Malden Properties**
Chris Caesar (Malden Patch – MA)
September 19, 2011

*"About ten to fifteen protesters cleaned a dilapidating, foreclosed property on Clinton St. Monday morning, and then delivered the ten bags of trash they collected to the Malden Center branch of Bank of America. Activists associated with Mass Uniting accused the bank, who owns the property on 56 Clinton St., of failing to maintain a number of properties throughout the city and commonwealth." Click here for more.*

**Bank of America protested by people in Malden, Mass.**
New England Cable News
September 19, 2011

*"In some of the New England communities hardest hit by the real estate collapse, neighborhoods are dotted by dozens of foreclosed homes, often owned by a bank based several states away and abandoned and spreading blight. That has some people turning to picking up -- as well as picketing -- to try to push banks to be better landlords. Such was the scene Monday when a group of activists from MassUniting.org came to a home on Clinton Street here owned by Bank of America after a foreclosure, collecting several bags of trash and debris and then bringing it to the BofA branch downtown, telling the bank it was their trash they owned and should have taken in earlier." Click here for more.*

**Additional press coverage:** Residents Take Foreclosure Fight to Bank Exec's Doorstep **- YouTube,** Huffington Post,

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## *CFPB and Consumer Issues*

**Exclusive: Admin Rips Shelby on CFPB**
Ben White (Politico's Morning Money)
September 19, 2011

*"From an administration official on what they described as efforts by Sen. Richard Shelby (R-Ala.) to subject the CFPB budget to the appropriations process: 'The Republicans who voted to kill the consumer agency are relentlessly doing everything they can to cripple it. They've introduced roughly a dozen bills or amendments that chip away at the CFPB's ability to protect consumers. And they've taken the unprecedented step of refusing to consider the President's director nomination until the law is changed to weaken the agency. 'Now they're at it again in the latest appropriations bill, quietly working to make the consumer agency the only banking regulator without independent funding. Congress has long recognized that bank supervision must be insulated from the political winds of Washington. That holds true whether the banking regulator is supervising for safety and soundness or consumer protection. Subjecting the CFPB's funding to the political process puts it in the crosshairs of powerful Wall Street lobbyists. For those who never wanted this agency to begin with, that's probably precisely the point."*

**Mortgage rule to be released early next year: CFPB**
Dave Clarke (Reuters)
September 20, 2011

*"The new Consumer Financial Protection Bureau will release a final rule early next year requiring lenders to make sure prospective borrowers have the ability to repay their mortgages, the acting head of the agency said on Tuesday. The rule, required by the 2010 Dodd-Frank financial oversight law, would establish minimum underwriting standards for most mortgages and is intended to combat home lending abuses that contributed to the 2007-2009 financial crisis." Click here for more.*

**CFPB expects ability-to-repay rule by early next year**
Kerri Panchuk (Housing Wire)
September 20, 2011

*"Raj Date, special adviser to the Treasury Department and de facto leader of the Consumer Financial Protection Bureau, said the new agency's final rule on identifying qualified mortgages will be released early*

*next year. Date also addressed concerns over mortgage servicing standards, suggesting the CFPB remains focused on improving the default component of the loan life cycle." Click here for more.*

**CFPB Chief Warns of Pervasive Flaws in Residential Servicing**
Kate Davidson (National Mortgage News – subscription required)
September 20, 2011

*"Raj Date, the de facto head of the Consumer Financial Protection Bureau, said Tuesday that misaligned incentives led to some of the major problems in mortgage servicing and still persist. In a speech at the American Banker Regulatory Symposium, Date provided a glimpse of practices that the bureau may seek to change as it works with other regulators to develop national mortgage-servicing standards. Though Dodd-Frank addresses some of these incentive problems, he said, consumers still cannot choose their servicer, and the current structure of servicing fees discourages ample investment in resources to handle spikes in delinquency." Click here for more.*

**CFPB, Other Federal Agencies Developing National Servicing Standards**
Krista Franks (DSNews.com)
September 20, 2011

*"The Consumer Financial Protection Bureau (CFPB) is working alongside other federal agencies to create 'common-sense national servicing standards,' according to Raj Date, special advisor to the Treasury for the CFPB. 'A comprehensive approach to servicing that protects consumers, investors, the financial sector, and the housing market requires the coordinated action of many federal regulators,' Date said at the* American Banker's *Regulatory Symposium Tuesday. He added that the CFPB and other federal agencies are in the midst of that process. Click here for more.*

**Click here** to read the full speech as prepared for delivery.

**Free and Almost-Free Checking Options**
Susanna Kim (ABC News)
September 19, 2011

*"Citibank announced it is repackaging its checking options for consumers, raising its monthly checking account fee to $10 from $8, unless you have a minimum of $1,500 or monthly online billing and a direct deposit. The bank will notify customers at the end of the month and effective for all clients in December." Click here for more.*

**Debt Collectors Lobby to Block Tougher State Documentation Rules**
Carter Dougherty (Bloomberg)
September 21, 2011

*"A wave of U.S. state laws that require debt collectors to document exactly who owes what has triggered a state-by-state lobbying battle over rules of evidence that the industry says could slice into profitability. A 2009 law in North Carolina requiring collectors to provide original contracts and imposing penalties for erroneous litigation has slowed the industry's work in that state. Other states, including Massachusetts, Florida, California and Oregon, have followed North Carolina's law with similar proposals." Click here for more.*

**NCLC - Obama Deficit Plan Would Allow Debt Collector Robo-Calls to Cell Phones**
NCLC Press Release
September 22, 2011

*"Buried in President Obama's deficit reduction plan (see page 28) is a proposal to allow debt collectors 'to contact delinquent debtors via their cellular phones' when collecting debts owed to or guaranteed by the federal government. The proposal will not help reduce the deficit and is harmful for consumers, the National Consumer Law Center warned today." Click here for more.*

**ACA International - Legislation to Modernize the TCPA Introduced in the U.S. House**
ACA International press release
September 22, 2011

*"ACA International, the association of credit and collection professionals, proudly supports today's introduction of the Mobile Informational Call Act of 2011, and the leadership of its authors, Congressmen Lee*

*Terry (R-NE), Edolphus Towns (D-NY), John Shimkus (R-IL) and Jim Matheson (D-UT). 'Modernization of the Telephone Consumer Protection Act (TCPA) is among the top priorities for ACA members,' said ACA International Chief Executive Officer Patrick J. Morris. 'Given the explosive growth in consumer reliance on mobile devices as a preferred means for communication, this legislation will enact limited, common-sense revisions to facilitate the delivery of time-sensitive consumer information, while continuing to protect wireless consumers from unwanted telemarketing calls.'" [Click here for more.]*

**Fed Gives Dealers More Time for Dodd-Frank Compliance**
Auto Remarketing Staff
September 22,

*"Thanks to a ruling on Tuesday by the Federal Reserve Board, dealers — just like lenders — will have a little more breathing room to get their ducks in a row for the data collection requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Fed amended Regulation B on Tuesday, meaning that dealers can wait until the board doles out the final regulations for implementing the statutory requirement before they have to be fully compliant with the data collection requirements." [Click here for more.]*

**Rich Cordray Nomination**

**Hold up with new federal financial bureau may harm communities of color**
Stacy Nguyen (Northwest Asian Weekly)
September 22, 2011

*"New 2010 Census data show that the housing bust has hit some communities of color the hardest. Blacks, Latinos, and Asian immigrants were more likely to take out subprime loans during the housing boom. Subprime loans generally featured low initial interest rates that skyrocketed some years later. Some borrowers are unable to keep up with the payments and face losing their homes due to foreclosure. 'For us, this is a fair housing issue and a civil rights issue,' said Hurricane Relief Program Director Deborah Goldberg, from **National Fair Housing Alliance**, on a conference call. 'In fact, we view this as one of the most import civil rights issues of the decade.' …'In Latino communities, related to the housing crisis, about 17 percent — more than a million people — have lost or will lose their homes to foreclosure, as of 2006,' said Graciela Aponte, senior legislative analyst at the **National Council of La Raza**, on a conference call. 'This is compared to 7 percent of white homeowners.' …'In California, many Asian Americans have lost half of their wealth,' said Preeti Vissa, director of **Greenlining Institute's Community Reinvestment Program**, on a conference call. 'It's not just an issue of homes, but an issue of creating a cycle of poverty that starts in this generation, that will affect future generations to come.' …Though the CFPB officially began work on July 21, it might not have a confirmed director until after the 2012 election because Corday's nomination is being blocked. CFPB is currently headed by Raj Date, adviser to the Treasury secretary, though the agency is effectively on hold without a director." [Click here for more.]*

**CALPIRG - Jon Fox: Senate must confirm nominee to new consumer bureau**
Jon Fox (Special to the Mercury News – CA)
September 22, 2011

*"The choice for U.S. senators is clear: Confirm the president's nominee to head the new Consumer Financial Protection Bureau, or give payday lenders an unfair advantage over the banks. Since late July the new bureau, a centerpiece of the 2010 Wall Street Reform and Consumer Protection Act, has been up and running. It's the nation's first federal financial regulator with only one job: protecting consumers. The bureau is taking credit card complaints from consumers, closely supervising big banks and improving mortgage disclosures. But Congress and the president intended that the bureau do more than regulate consumer practices at banks…. JON FOX is a consumer advocate with the California Public Interest Research Group. He wrote this for this newspaper." [Click here for more.]*

**Attorneys General admit doubts on CFPB**
Kerri Panchuk (Housing Wire)
September 20, 2011

*"Uncertainty will loom over the Consumer Financial Protection Bureau as long as the novice agency sits in the middle of a political debate over funding and structural issues, state Attorneys General and government regulators conceded Tuesday. During the Residential Mortgage Litigation & Regulatory Enforcement*

*Conference in Dallas, Indiana Attorney General Greg Zoeller commended Richard Cordray, the former Ohio AG appointed by President Obama to serve as CFPB director. Zoeller supports Cordray as a person and professional: 'Richard is an excellent person to run the thing.' Yet, Zoeller admitted he personally declined to sign a letter in support of the director's appointment because he believes the legislature should fix the CFPB's structural issues before a leader declared."* [Click here for more.]

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## *Shadow Markets and Systemic Risk*

**AFR Statement on Leaked Details of Volcker Rule**

**[Click here]** to view AFR's press statement on the story.

**Excerpt:**

> *"[The Financial Times] reported today that recent drafts of the Volcker Rule indicate regulators are considering the addition of substantial new exemptions to the statutory ban on proprietary trading and conflicts of interest. These include blanket exemptions for commodity trading, spot currency trading, 'repo' trading, securities lending, broad exemptions for liquidity management, and a broader exemption for securitizations than is contemplated in the legislation. The Volcker Rule is a crucial part of the Dodd-Frank Act. It is perhaps the clearest attempt to change the culture of our major banks to focus on the needs of their customers, rather than short-term returns driven by irresponsible risk-taking and highlighted by conflicts of interest."*

**Volcker Rule May Be Extended to Overseas Banks With Operations in the U.S.**
Cheyenne Hopkins and Ian Katz (Bloomberg)
September 17, 2011

*"A rule limiting proprietary trading by U.S. banks may be extended to overseas firms with operations in the country, according to four people familiar with the matter. Regulators next month will issue a proposal to carry out provisions of the so-called Volcker Rule, part of the Dodd-Frank financial-regulation law, that will clarify the types of offshore trading allowed under the rule, the people said."* [Click here for more.]

**Volcker Rule May Lose Its Bite**
Scott Patterson and Victoria McGrane (WSJ – subscription required)
September 22, 2011

*Banks could be allowed to continue making risky bets with their own capital, according to a draft version of the so-called Volcker rule that dilutes the provision's original ban on 'proprietary trading.' Banks could be allowed to continue making risky bets with their own capital, according to a draft version of the so-called Volcker rule that dilutes the provision's original ban on 'proprietary trading.' At issue is how regulators and banks define "hedging," or trades designed to offset risk taken by a bank, usually on behalf of customers. The law originally defined hedging narrowly as trades tied to specific bets. The new language, contained in a 174-page draft proposal for the rule released to regulators in August and reviewed by The Wall Street Journal, says hedging can cover bank risk on a "portfolio basis," including "the aggregate risk of one or more trading desks." In effect, that opens the door for banks to make all manner of bets on the market, observers said, because a bank might define the risk to its portfolio broadly, such as the risk of a U.S. recession.* [Click here for more.]

**Fears over exemptions to Volcker rule**
Tom Braithwaite in New York (FT – registration required)
September 18, 2011

*"[The Volcker rule], which bans US banks from trading for their own account, is set to include exemptions that some officials fear will weaken its impact, people familiar with the situation have warned. In the wake of [UBS]'s $2.3bn loss last week, alleged to have been caused by the actions of a lone trader, proponents of a tough rule to constrain banks' proprietary trading are concerned that dangerous activity will continue under the guise of customer-related transactions. According to a 174-page draft of the rules seen by the Financial*

*Times, and confirmed by people familiar with discussions between regulatory agencies, so-called "repo" transactions and securities lending, and near-term trading in currency and commodities – but not futures – will be permitted. [Click here for more.]*

**Volcker Rule on Path to Be Gutted to Point of Irrelevance**
David Dayen (Firedoglake)
September 22, 2011

*"In retrospect, the banks had a pretty sound strategy with Dodd-Frank: fight it during the legislative process, but not too hard, allowing lawmakers to think they've accomplished something. Then, during implementation, bend the regulatory apparatus to your will, gutting the law before having to follow it. That has been extremely successful, especially because Dodd-Frank wasn't really a law so much as a promise to write a law later. The latest victim of the finance lobby's efforts on Dodd-Frank is the Volcker rule. … The Financial Times report on this says that commodity trading, spot currency trading, securities lending, repurchase agreements and some securitizations would be exempted from the ban on proprietary trading, along with exemptions for "liquidity management." The sum total of these exemptions is that there's no effective ban on prop trading at all in the rule.* ***Americans for Financial Reform****, in their statement, links this to the news of the "rogue trader" at UBS" Click here for more.*

**UBS Scandal Is a Reminder About Why Dodd-Frank Came to Be**
Adrienne Carter and Ben Protess (DealBook/NYT)
September 19, 2011

*"Although the UBS trading scandal happened at the London office of a Swiss financial company, big American banks will feel regulatory heat. When UBS revealed on Thursday that a rogue trader had lost a quantity of money so large that it potentially wiped out profits for the entire quarter, the case cast a glaring spotlight on banks' risk-taking activities and evoked painful memories of the financial crisis. Such blowups had helped bring the system to the brink, forcing governments to bail out banks and prompting a global economic slowdown." Click here for more.*

**U.S. Probes Rating-Cut Trades**
Jean Eaglesham (WSJ – subscription required)
September 20, 2011

*"Securities regulators have sent subpoenas to hedge funds, specialized trading shops and other firms as they probe possible insider trading before the U.S. government's long-term credit rating was cut last month, people familiar with the matter said. Securities and Exchange Commission officials demanded more information about specific trades made shortly before Standard & Poor's Corp. downgraded the U.S. to double-A-plus from triple-A on Aug. 5, these people said. SEC officials are zeroing in on firms that bet the stock market would tumble." Click here for more.*

**S.E.C. Hid Its Lawyer's Madoff Ties**
Louise Story and Gretchen Morgenson (NYT)
September 20, 2011

*"After Bernard L. Madoff's giant Ponzi scheme was revealed, the Securities and Exchange Commission went to great lengths to make sure that none of its employees working on the case posed a conflict of interest, barring anyone who had accepted gifts or attended a Madoff wedding. But as a new report made clear on Tuesday, one top official received a pass: David M. Becker, the S.E.C.'s general counsel, who went on to recommend how the scheme's victims would be compensated, despite his family's $2 million inheritance from a Madoff account." Click here for more.*

**SEC Watchdog to Refer Ex-Counsel's Madoff Work to Justice**
Robert Schmidt and Joshua Gallu
September 16, 2011

*"The U.S. Securities and Exchange Commission's inspector general plans to ask the Justice Department to review whether the agency's former top lawyer violated conflict-of-interest laws, according to three people with knowledge of the watchdog's findings. H. David Kotz, the inspector, is completing his report on ex-general counsel David Becker's possible conflicts and it is expected to be released next week, said the people, who spoke on condition of anonymity because the matter isn't public. Kotz and congressional*

*investigators have been probing why Becker was allowed to work on SEC policies related to the Bernard Madoff fraud after inheriting profits from the Ponzi scheme." Click here for more.*

**Lawyer Defends Role in S.E.C. Madoff Case**
Louise Story and Eric Dash (NYT)
September 22, 2011

*"David M. Becker, the former general counsel of the Securities and Exchange Commission, told Congress on Thursday that he had done nothing wrong in handling the agency's work related to Bernard L. Madoff's Ponzi scheme. Mr. Becker, testifying before two Congressional panels, said he had done "precisely what I was supposed to do" in disclosing to S.E.C. officials his connection to a Madoff account. He is under scrutiny because he advised the agency on formulas to compensate Madoff clients, even though he had been a beneficiary of the scheme." Click here for more.*

**Click here** to read testimony from Thursday's Oversight Subcommittee hearing entitled "Potential Conflicts of Interest at the SEC: The Becker Case."

**Click here** to read testimony from Thursday's Financial Services Subcommittee hearing entitled "Joint Hearing with the Subcommittee on TARP, Financial Services and Bailouts of Public and Private Programs of the Committee on Oversight and Government Reform entitled "Potential Conflicts of Interest at the SEC: The Becker Case."

**Focus on Goldman Ex-Director**
Michael Rothfeld, Susan Pulliam, and Jean Eaglesham (WSJ – subscription required)
September 21, 2011

*"Federal prosecutors are moving closer toward bringing criminal charges against Rajat Gupta, a former Goldman Sachs Group Inc. director who allegedly leaked inside information about the Wall Street giant at the height of the financial crisis, according to people familiar with the situation. The Manhattan U.S. attorney's office and the Securities and Exchange Commission have maneuvered for months to determine whether and how to proceed against Mr. Gupta, who has denied any wrongdoing." Click here for more.*

**Wall Street Banks Taking a Bruising**
Aaron Lucchetti (WSJ – subscription required)
September 24, 2011

*"Global markets have turned so ugly that Wall Street's mightiest firm, Goldman Sachs Group Inc., is at risk of posting its first quarterly loss since the financial crisis. The culprit? Growing uncertainty among investors and cash-rich companies, driven by a slowing economy and fears that Western nations will fail to defuse debt problems that ballooned during the bailouts of 2008 and 2009." Click here for more.*

**Public Citizen - Capital One: What's In Your Bracket**
Bartlett Naylor (Public Citizen's CitizenVox
September 19, 2011

*"Five years ago, Capital One Financial Corp. did not exist as a bank. If the Federal Reserve approves its acquisition of ING Direct and a slice of HSBC, it will be the fifth largest bank in the United States, as measured by deposits. With that approval, we'll need to adjust the college basketball March Madness-type bracket published not so long ago by Mother Jones (see hyperlinked graphic below) that describes how we arrived at the too-big-to-fail catastrophe that has landed us in the economic muck." Click here for more.*

**International**

**FT: EU Speeding Up Plans to Recapitalize 16 Banks**
Reuters (via Fox Business)
September 22, 2011

*"European officials look set to speed up plans to recapitalize the 16 banks that came close to failing last summer's pan-EU stress tests, the Financial Times reported on Thursday, citing European officials. The report said the move would affect mostly mid-tier banks. Seven are Spanish, two are from Germany, Greece*

*and Portugal, and one each from Italy, Cyprus and Slovenia. The list includes Germany's HSH Nordbank and Banco Popolare of Italy, the newspaper said on its website."* *Click here for more.*

**S&P adds to euro stress with Italy cut**
James Mackenzie and Catherine Hornby (Reuters in Rome)
September 20, 2011

*"Standard and Poor's rocked the euro and bond markets on Tuesday with a one-notch cut in Italy's credit rating that added fuel to opposition calls for Prime Minister Silvio Berlusconi to resign and increased pressure on the debt-stressed euro zone. S&P's cut its ratings on the euro zone's third largest economy to A/A-1 from A+/A-1+, judging it less creditworthy than Slovakia, and kept its outlook on negative, warning of a deteriorating growth outlook and damaging political uncertainty." Click here for more.*

**Click here** to view the CFTC Chairman Gary Gensler's remarks at Georgetown University Conference "Financial Institutions in the New Regulatory Environment: Opportunities, Constraints and Global Challenges" on Thursday.

**Commodity Speculation**

**Exclusive: CFTC compromises of parts of speculative curbs**
Sarah N. Lynch, Christopher Doering and Roberta Rampton (Reuters)
September 22, 2011

*"U.S. futures regulators are yielding to banks and other major traders of commodities on several key provisions in a plan to crack down on speculation, but are holding their ground on the need to forge ahead with position limits. A draft of the Commodity Futures Trading Commission's final rule, reviewed by Reuters late on Wednesday, is likely to be seen by traders as somewhat less draconian than an initial proposal floated by the CFTC earlier this year."* *Click here for more.*

**Click here** to view CFTC Commissioner Bart Chilton's prepared remarks entitled, "Stages of Truth" before the Presidential Roundtable on Speculation in Commodity Markets, United Nations, New York, NY on Thursday.

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## *Foreclosures and Housing*

**Talks on US mortgage abuses hit key stage**
Shahien Nasiripour in New York (FT)
September 21, 2011

*"The largest US mortgage servicers will meet federal and state officials in Washington on Friday to try to reach a settlement over allegations that the banks broke federal rules and state laws in their treatment of distressed borrowers. But the meeting is clouded by continued squabbling between the states as to the size and scope of penalties to be paid by the banks for their alleged failings in processing foreclosures." Click here for more.*

**Paralyzed Oregon man, living on $22,000 a month and able to pay, fights foreclosure**
Brent Hunsberger (The Oregonian)
September 17, 2011

*"Robert Galanida was a skinny teenager when a drunken driver rammed the pickup he was riding in, hurtling him to the blacktop and paralyzing him from his shoulders down. With the help of multimillion-dollar legal and insurance settlements, he and his mother now live comfortably on annuity payments of $22,000 a month. So they are at a loss as to why his mortgage servicer, Bank of America, has repeatedly tried to evict*

*him from his Tualatin home. Custom-built 14 years ago for less than $400,000, it boasts wide halls and doorways to accommodate his wheelchair and an air purification system to keep his body temperature and breathing in check.” Click here for more.*

**Nevada AG: Criminal actions coming to servicing industry soon**
Jon Prior (Housing Wire)
September 21, 2011

*“Mortgage servicers could soon face criminal actions in Nevada, according to the state Attorney General Catherine Cortez Masto. Masto recently opposed [1] provisions in the multistate settlement proposal that would free up the largest servicers from future criminal liability. Earlier in September, Iowa AG Tom Miller, who is leading the settlement talks, pledged [2] the final agreement would not indemnify the banks from any criminal actions and not all civil suits.” Click here for more.*

**Probing Pr. William foreclosures, group sees widespread irregularities, ‘robo-signed’ papers**
Annys Shin (WP)
September 20, 2011

*“Lenders may have foreclosed on hundreds of homeowners in Prince William County, Manassas and Manassas Park using unreliable, “robo-signed” documents, according to a report by the group Virginians Organized for Interfaith Community Engagement. Virginia has one of the fastest foreclosure processes in the nation. And Prince William was one of the first and hardest-hit areas of the Washington region in the foreclosure crisis. More than 10 percent of households in the county went into foreclosure between 2004 and 2009, VOICE said. Concerns about bogus paperwork led several banks and states last year to temporarily halt foreclosures.” Click here for more.*

**Countrywide protected fraudsters by silencing whistleblowers, say former employees**
Michael Hudson (iWatchnews.org)
September 22, 2011

*“In the summer of 2007, a team of corporate investigators sifted through mounds of paper pulled from shred bins at Countrywide Financial Corp. mortgage shops in and around Boston. By intercepting the documents before they were sliced by the shredder, the investigators were able to uncover what they believed was evidence that branch employees had used scissors, tape and Wite-Out to create fake bank statements, inflated property appraisals and other phony paperwork. Inside the heaps of paper, for example, they found mock-ups that indicated to investigators that workers had, as a matter of routine, literally cut and pasted the address for one home onto an appraisal for a completely different piece of property.” Click here for more.*

**Frank warns of ‘revolt’ against Dodd-Frank lending regulations**
Theo Emery (Boston Globe)
September 20, 2011

*“US Representative Barney Frank, one of the authors of a sweeping financial overhaul bill, warned banking executives this morning that mortgage lenders must not return to extending loans to risky home buyers. Speaking to the Mortgage Regulatory Forum in Washington, Frank said that there a ‘revolt’ under way against regulations intended to keep lenders from making risky loans to borrowers. Those regulations keep some of the financial risk for mortgages with the lenders who grant them, without which lenders will return to giving loans to those who can’t afford them, he said.” Click here for more.*

**Walsh Outlines Complaint Process for Those Stung by Foreclosure**
Kate Davidson (American Banker)
September 19, 2011

*“Foreclosed borrowers will be able to lodge complaints about their lender and seek a review of their case under recent consent orders issued against the 14 top servicers, a senior regulator said Monday. Speaking at American Banker's regulatory symposium, John Walsh, the acting comptroller of the currency, said cases will be reviewed by an independent consultant, who based on the findings may require a servicer to develop a remediation plan. Each remediation plan will be subject to approval by the Office of the Comptroller of the Currency and the Federal Reserve Board. A review may also result in a bank paying restitution.” Click here for more.*

**OCC Requires Review of 4.5M Foreclosures**
Krista Franks (DSNews.com)
September 19, 2011

*"The Office of the Comptroller of the Currency (OCC) is calling for independent reviews of almost 4.5 million loans. After reviewing 200 loans from each of 14 major servicers, regulators determined enforcement actions were necessary, but said the review was 'not nearly enough to answer all questions,' according to John Walsh, acting Comptroller of the Currency." Click here for more.*

**States slow to tap $7.6B fund to help jobless pay mortgages**
Julie Schmit (USA Today)
September 18, 2011

*"A $7.6 billion federal program to help homeowners avoid foreclosures had distributed about 1% of its money to distressed owners 16 months after its creation, government reports show. The Obama administration awarded the funds last year to 18 states most affected by unemployment and fallen home prices. The states developed their own foreclosure-prevention programs targeting assistance to lower-income jobless and underemployed homeowners. By June 30, 17 states had used the funds to help about 7,500 homeowners, show reports states filed to the Treasury Department. New Jersey, which began its program in May, started making loans only this month." Click here for more.*

**New Program for Unemployed Homeowners Falls Short**
Alan Zibel (WSJ blog)
September 20, 2011

*"Yet another federal foreclosure-prevention effort is likely to reach fewer homeowners than initially hoped. The Obama administration now says it expects to miss its goal of signing up 30,000 U.S. homeowners for a new program that helps the unemployed avoid foreclosure. The $1 billion effort, created in the Dodd-Frank financial overhaul last year, is being run by the Department of Housing and Urban Development. Known as the Emergency Homeowners' Loan Program, it provides unemployed homeowners with short-term loans so they can continue making their mortgage payments." Click here for more.*

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## *Executive Compensation*

**Shrinking corporate officer pay**
David Cay Johnston (Reuters blog)
September 16, 2011

*"It's time to prick the popular image of ballooning executive pay with some sharp new facts. As a group, corporate officers — executives with broad authority to act on the company's behalf, not just follow orders from the CEO or some other boss — are making less, not more, my analysis of newly available tax data shows. This is in sharp contrast with the thoroughly documented excesses at the very top revealed through analysis of disclosures to shareholders. The new tax data includes CEOs, but the few score of wildly overpaid ones at the biggest companies become statistically insignificant within the universe of nearly a million corporate officers covered in the new tax data." Click here for more.*

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## *Interchange*

**UPDATE: Analysts: MasterCard, Visa Raising Fees On Small Debit Purchases**
Andrew R. Johnson (Dow Jones)
September 22, 2011

*"In a move that could discourage some merchants from accepting debit cards for small transactions, Visa Inc. (V) and MasterCard Inc. (MA) are raising the fees merchants pay for small-ticket debit purchases,*

*according to analysts. In a research note, Thomas McCrohan, an analyst with Janney Montgomery Scott, said Wednesday the credit card companies plan to increase the fees--which ultimately are paid to banks, not MasterCard or Visa--to 23 cents per transaction. Currently a retailer pays about 8 cents for a $2 cup of coffee purchased with a debit card, according to McCrohan, who said the increase 'will kill the economics for small-ticket debit purchases.' He added, 'It will almost certainly lead to a merchant revolt against the card networks.'" Click here for more.*

**BofA Coaxes Customers Away From Debit Cards To Lessen Fee Cap Impact**
Forbes Trefis Team, Contributor
September 21, 2011

*"In an attempt to prevent card incomes from dipping significantly after the Federal Reserve capped fees on debit card swipes, Bank of America is pushing its existing debit card customers to switch to credit cards. [1] The bank is luring its brokerage clients into signing up for credit cards and giving up their deferred-debit cards by allowing them to retain their existing reward points, and also giving them additional points for making the switch. The scheme is targeted toward brokerage clients holding a Visa signature debit card linked to their brokerage accounts. These debit cards will not earn any rewards after November 15 which may tempt these clients to make the switch. Competitors of the banking giant, including JPMorgan Chase, Wells Fargo, Regions Financial Corp. and SunTrust Banks Inc., have already implemented steps to counter the effect of the fee cap which comes into effect on October 1." Click here for more.*

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## *Student Lending*

**Petraeus op-ed - For-Profit Colleges, Vulnerable G.I.'s**
Hollister K. Petraeus (WP)
September 21, 2011

*"Military personnel and their families are finding themselves under siege from for-profit colleges. A number of these schools focus on members of the armed forces with aggressive and often misleading marketing, and then provide little academic, administrative or counseling support once the students are enrolled. Vast sums are involved: between 2006 and 2010, the money received in military education benefits by just 20 for-profit companies soared to an estimated $521.2 million from $66.6 million." Click here for more.*

**For-Profit Colleges Got $1 Billion in Veterans Benefits**
John Lauerman (Bloomberg)
September 22, 2011

*"Eight for-profit colleges, led by Apollo Group Inc.'s University of Phoenix, collected about $1 billion in education benefits for U.S. veterans in the most recent academic year, according to a Senate report. Those colleges got about a quarter of the Post-9/11 GI Bill education funds in the 2010-2011 year, Democratic Senator Tom Harkin of Iowa, chairman of the Senate education committee, said today at a news conference in Washington. The University of Phoenix alone received $210 million, almost three times as much as a year earlier, he said." Click here for more.*

**For-profit colleges broke the law to get $1M in state aid, suit says**
Paul Walsh (Minnesota Star Tribune)
September 22, 2011

*"The state of Minnesota is suing the nation's second-largest for-profit college company, alleging that two of its for-profit colleges -- Argosy University in Eagan and Art Institutes International in downtown Minneapolis -- unlawfully collected state taxpayer-financed student financial aid totaling more than $1 million since mid-2010." Click here for more.*

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## *FTT*

**Flash Tax: Why Levies on High-Speed Trading Won't Work**
Jason Zweig (WSJ – subscription required)
September 3, 2011

*"Last month, French President Nicolas Sarkozy and German Chancellor Angela Merkel proposed placing a transaction tax on European financial markets—in hopes of raising desperately needed revenue and perhaps reining in speculators and high-speed traders. That day, the shares of publicly traded stock exchanges such as NYSE Euronext and Nasdaq OMX Group dropped by up to 11%, although they later recovered." Click here for more.*

**IPS - Obama Supported Financial Transactions Taxes - Before Summers Nixed It**
Sarah Anderson (Institute for Policy Studies)
September 20, 2011

*"It's not too late for the president to revisit some of his earlier positions in support of progressive economic policies, including financial transactions taxes. The hot new book in Washington, Ron Suskind's Confidence Men, shines a bit of new light on the Obama administration's lack of support for financial transactions taxes. According to the book, based on 700 hours of interviews with high-level staff, President Obama supported the idea of placing a small tax on trades of stocks, derivatives, and other financial instruments. But, as with many other progressive policy proposals, it was blocked by Larry Summers, the former Treasury Secretary who was serving as Obama's Director of the National Economic Council." Click here for more.*

**AFL-CIO outlines how supercommittee can bring down debt**
Kevin Bogardus (The Hill)
September 19, 2011

*"The AFL-CIO is proposing a number of tax hikes and healthcare policy reforms, along with drawing troops down in Afghanistan and Iraq, to help bring down the national deficit. … Calling them 'progressive tax revenue proposals,' the AFL-CIO also recommends a number of tax hikes on the wealthy and the financial-services sector to pare down the debt. That would include a financial transactions tax, saving more than $1 trillion over 10 years; a millionaires' surtax, saving more than $400 billion over 10 years; and taxing capital gains as ordinary income, equaling savings of more than $168 billion over 10 years. Click here for more.*

**EU Spokesman: Financial Transactions Tax To Have Wide Base**
Matthew Dalton (Dow Jones)
September 21, 2011

*"An upcoming proposal from the European Commission to tax financial transactions will cover a broad range of securities, including stocks, bonds, derivatives and structured products, a commission spokesman said Wednesday. 'We intend to propose a transactions tax with a wide base,' said David Boublil, spokesman for EU tax policy commissioner Algirdas Semeta." Click here for more.*

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## *OTHER*

**Public Campaign Action Fund - Sen. Shelby's Financial Industry Money Keeps Pouring In**
Adam Smith (Public Action Campaign Fund blog)
September 22, 2011

*"Sen. Richard Shelby (R-Ala.), the ranking Republican member on the Senate Banking Committee, introduced legislation today to hold 'financial regulators accountable for rigorous, consistent economic analysis on every new rule they propose.' Or, in other words, he wants to to weaken or slow the implementation of the Dodd-Frank Wall Street reform legislation passed in 2010. We reported recently on Shelby's opposition to Wall Street reform and money from the financial industry—including a $5,000 Goldman Sachs PAC donation a day after announcing his opposition to Richard Cordray's nomination to head the Consumer Financial Protection Bureau." Click here for more.*

**Morgan Stanley Misses Deal Harmony With Kelleher-Taubman Clash**
Michael J. Moore and Max Abelson (Bloomberg BusinessWeek)
September 19, 2011

*"Colm Kelleher and Paul J. Taubman, co-heads of Morgan Stanley's biggest business, work on opposite sides of an ocean, disagree about strategy and share an enmity that has become the subject of company jokes. At a meeting of more than 100 managing directors at the Ritz-Carlton Battery Park hotel in New York last year, Robert Kindler, the bank's head of mergers and acquisitions and brother of stand-up comedian Andy Kindler, drew laughs and whistles when he ribbed the two men about their relationship, according to two people who attended the session." Click here for more.*

**Who Killed Private Pensions?**
Ellen E. Schultz (for WSJ's Weekend Investor)
September 17, 2011

*"Gary Skarka had a rewarding middle-management career at AT&T, along with some of the best retirement benefits in the country. But instead of enjoying a comfortable retirement, he is working as a security guard. 'I know I will have to work at menial jobs until I die,' he says. Mr. Skarka's financial predicament isn't the result of investment losses or runaway spending. He is among millions of Americans who encountered an unexpected risk to their retirement: their employer. … Just over a decade ago, pension plans had a quarter of a trillion dollars in surplus assets. Today, they are collectively underfunded by about 20%. Market losses and historically low interest rates erased a lot of this, but much of the damage was self-inflicted. Verizon Communications' predecessor Bell Atlantic, in a typical move, used more than $3 billion of its pension assets to finance retirement incentives for thousands of managers. Similar moves enabled companies to shed hundreds of thousands of older employees without dipping into corporate cash. Employers also began using pension-plan assets to pay health benefits they promised retirees. … Adapted from* **"Retirement Heist: How Companies Plunder and Profit from the Nest Eggs of American Workers,"** *by Ellen E. Schultz. Copyright 2011 by Ellen E. Schultz. Published by Portfolio/Penguin, a member of Penguin Group (USA) Inc. Used by permission. Click here for more.*

**Obama's 'Buffett tax' roils U.S. Congress tax debate**
Richard Cowan (Reuters)
September 22, 2011

*"When Senator Charles Schumer urged quick action to raise taxes on the rich -- people like billionaire Warren Buffett -- he expected to face Republican opposition. But the hard-charging senator is also getting a tepid response from some fellow Democrats. The 'Buffett rule' plan floated by President Barack Obama to raise taxes on those making more than $1 million a year might not be getting the traction Schumer had hoped. Richard Durbin, the No. 2 Democrat in the Senate, said he has raised 'other possibilities' for raising revenues from the rich in talks with Schumer, his Washington housemate." Click here for more.*

**Column - Pump-and-dump chumps**
Jeff Gelles (Philadelphia Inquirer)
September 18, 2011

*"In a 'pump and dump' scheme, the plotters profit by buying a stock cheaply and then deceptively pumping its price. They spread rumors, say, about a technological breakthrough at a small company you've never heard of. At the peak of the price mania, they dump their shares. The victims of pump-and-dumps aren't always sympathetic - they're usually unwitting amateur investors looking for a quick buck and willing to believe they can beat the pros. But even if they're fools, they're victims of a simple, straightforward scam." Click here for more.*

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## *Upcoming Events*

As of 9/23/11 the House and Senate are still scheduled to be on recess next week - all depends on the CR.

**SEC**

No open hearings as of 9/23/11

**CFTC**

No open meetings as of 9/23/11

**From GW's Center for Law, Economics & Finance (C-LEAF) presents the Third Annual Financial Regulatory Reform Symposium:**

**"Dodd-Frank's Future Direction: On Track or Off Course?"**

Friday, October 21, 2011
8:30 a.m. to 2 p.m.
Jack Morton Auditorium, Media & Public Affairs Building
805 21st Street, N.W., Washington, D.C. 20052

Featuring:

The Manuel F. Cohen Memorial Lecture
*delivered by*
**Simon Johnson**, Ronald A. Kurtz (1954) Professor of Entrepreneurship; Professor of Global Economics and Management, MIT Sloan School of Management

and

Keynote Address *delivered by*
**The Honorable Sheila C. Bair**, Former Chairman, Federal Deposit Insurance Corporation

The event also will include two panel discussions dealing with financial regulatory reform topics, including new regulations affecting large, systemically important financial companies and the future of housing finance. Join us for lively question-and-answer sessions with our guest speakers and panelists.

More details, including registration information, to follow.
www.law.gwu.edu/C-LEAF

**The Honorable Sheila C. Bair**
Sheila C. Bair served as the 19th chairman of the Federal Deposit Insurance Corporation from June 2006 through July 2011. She served as chairman of the FDIC during one of the nation's most severe financial and economic crises. During her five-year term, Chairman Bair worked tirelessly to bolster public confidence and the stability of the financial system. She has been an outspoken advocate of legislative and regulatory reforms to end the doctrine of too-big-to-fail and prevent future taxpayer bailouts of large financial institutions.

**Simon Johnson**
Simon Johnson is the Ronald A. Kurtz (1954) Professor of Entrepreneurship at MIT Sloan School of Management. He also is a senior fellow at the Peterson Institute for International Economics in Washington, DC, co-founder and co-author of BaselineScenario (a much-cited blog on the global economy), a member of

the Congressional Budget Office's Panel of Economic Advisers, and a member of the FDIC's Systemic Resolution Advisory Committee.

**From The New Bottom Line:**

**Schedule of Direct Actions Demanding that Wall Street "Pay US Back"**

| | | |
|---|---|---|
| San Francisco/Bay Area | September 26-30 | Daily actions with mass mobilization on Sept. 30 |
| Boston | September 29 to October 1 | Large-scale direct action at a bank focused on foreclosures. Build up of actions at homes and banks throughout September. |
| Los Angeles | October 3-6 | Mass mobilization on Oct. 6 |
| Chicago | October 9-14 | Mass mobilization, escalating actions throughout the week. Focus on revenue, jobs, foreclosure, and TIFs |
| New York City | October 11-14 | Range of actions targeting banks, billionaires, state agencies and donors of elected officials against extending millionaires' tax. Tactics include marches, subway turnstile hopping, using moving trucks as props. |
| Minneapolis | October 10-14 | Community groups, faith and labor organizations will confront banks and financial institution from Oct 11 - 14 with demands that they support jobs not budget cuts, repay the public, and reform the worst practices of the industry. Coalition event Fri., Oct 14th at 3 pm, Minneapolis. |
| Denver | October 25-29 | Direct actions targeting Wells Fargo on foreclosures, predatory/payday lending, and private prison divestment. |
| Honolulu | November 5-7 | All-day conference kicking off New Bottom Line campaign in Hawaii, clergy leaders speaking at more than dozen Oahu churches. Holding events/actions during Asian Pacific Economic Conference. |