THIS WEEK IN WALL STREET REFORM

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Big Picture

What Obama's Jobs Plan Could Mean For US GDP
Joe Weisenthal (Business Insider)
September 9, 2011

"Analysts are already examining the impact of Obama's new jobs push/stimulus. Here's some excellent work from Nomura on the odds of an agreement, and what the deal would mean to the economy. There are some dynamics that could pressure both sides into agreement on a limited set of proposals. The current poor economic conditions and the low public standing of the President and Congress in the wake of the debt ceiling debacle, could lead both parties to decide that it's in their best respective interests to reach a limited agreement. Obama saw his job approval rating over the month of July slip 5 points to 42%, where it still sits today (based on daily Gallup poll results). Early indications are that both sides are somewhat chastened by the public outrage over the dysfunctional behavior displayed during the debt ceiling debate and have an interest in showing the public that Washington can function properly." Click here for more.

Click here to view AFR's press statement on the President's speech.

Excerpt:

> *"Wall Street's recklessness and greed – enabled by the deregulation financial industry special interests lobbied for – were a fundamental cause of our economic crisis. They cost Americans millions of jobs, along with billions in taxpayer-funded bailouts, and trillions of dollars in pension funds, home values, and retirement savings. In order to stabilize the economy and create jobs we need to establish and police fair rules of the road for financial markets so that we never face another similar crisis."*

Rising Fears of Recession
David Leonhardt (NYT)
September 7, 2011

"If history is a guide, the odds that the American economy is falling into a double-dip recession have risen sharply in recent weeks and may even have reached 50 percent. Economies have a strong self-reinforcing nature. When people are optimistic, they spend, which begets hiring and then more spending. When people are anxious, they pull back, which leads to a cycle of hiring freezes and further anxiety that often lasts for months." Click here for more.

Fed Prepares to Act
Jon Hilsenrath (WSJ – subscription required)
September 8, 2011

"Federal Reserve officials are considering three unconventional steps to revive the economic recovery and seem increasingly inclined to take at least one as they prepare to meet this month. Worries about inflation at the Fed have receded in recent weeks and economic data have worsened, putting officials on the lookout for ways to spur economic growth and improve financial conditions. Chairman Ben Bernanke speaks Thursday in Minneapolis, and is likely to reiterate that the central bank is studying all its options, before officials meet Sept. 20 and 21." Click here for more.

Correlation of US stocks highest since 1987 crash
Telis Demos in New York (FT – registration required)
September 8, 2011

"The correlation between the movement of big US stocks is at the highest level since Black Monday in 1987, with price moves increasingly driven by the ebb and flow of investors' fears over the economic environment. Stocks, in theory, should move in individual directions based on company fundamentals. But markets of late have been characterised by mass selling alternating with waves of buying, as investors upgrade or downgrade the risk of the US slipping into recession, or a financial crisis sparked by a European sovereign default." Click here for more.

WSJ Blog Guest Contribution: G-7 Faces Three-Front Battle Against Contagion
Julie Chon (Guest Contribution WSJ blog)
September 8, 2011

*"The U.S. is focused on domestic issues, but many of the economic problems are global. G-7 officials meet tomorrow, and **Julie Chon**, Atlantic Council senior fellow and former **Senate Banking Committee** senior adviser, says they must work to battle contagion. Tomorrow, finance ministers and central bankers from seven wealthy countries in the developed world will convene in Marseilles, France for their regular meeting to assess the health of the global economy. After a few global gatherings when the economic outlook appeared more promising in 2009 and 2010, the G7 agenda is back to battling contagion — negative spillovers from one financial institution, market or country to another. Recent volatility stemming from European bank funding concerns, protracted fiscal consolidation debates and sharp movements in exchange rates threaten to upend the global recovery. The G7's ability to cooperate on these three issues will determine the course of contagion — either recurrence or remission. Therefore, during a week when the U.S. President is rightly focused on job creation, managing contagion will be as much a priority for the G7 as promoting growth."*
Click here for more.

Regulations, taxes aren't killing small business, owners say
Kevin G. Hall, McClatchy/Tribune news
September 8, 2011

"Politicians and business groups often blame excessive regulation and fear of higher taxes for tepid hiring in the economy. However, little evidence of that emerged in a random sample of small-business owners across the nation. 'Government regulations are not 'choking' our business, the hospitality business,' said Bernard Wolfson, president of Hospitality Operations in Miami, told The Miami Herald. 'In order to do business in today's environment, government regulations are necessary and we must deal with them. The health and safety of our guests depend on regulations. It is the government regulations that help keep things in order.'"
Click here for more.

Republicans Again Blast Dodd-Frank Banking Overhaul
Ben Weyl (CQ – subscription required)
September 8, 2011

"Ahead of President Obama's major economic address Thursday, Republicans on the House Financial Services Committee accused his administration of reneging on a promise to streamline regulations and reprised complaints that last year's financial regulatory overhaul was stifling job creation….In a letter to Geithner on Thursday, signed by the panel's 34 Republicans, the lawmakers requested a report from the Financial Stability Oversight Council by Oct. 1 on the administration's efforts to streamline regulations. Specifically, they asked Geithner to identify rules in place in August 2010 that have since been eliminated or modified to reduce regulatory burdens. No Link

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CFPB and Consumer Issues

New "Abusive" Standard Stokes Fear from Bankers
Kate Davidson (American Banker - subscription required)
September 5, 2011

" Of the hundreds of thousands of words in the Dodd-Frank Act, none has caused as much consternation as the seven-letter one tucked into Title 10: abusive. That's the new standard under which the Consumer Financial Protection Bureau can prohibit certain acts and practices. But what does it mean, and how is it different from practices that are unfair and deceptive, which are already banned? More than a year after the law's passage, bank lawyers and bureau officials still can't say for sure. Click here for more.

CFPB examines financial products for military members
Kerri Panchuk (HousingWire)
September 8, 2011

"The Consumer Financial Protection Bureau is accepting comments from U.S. military members and financial institutions about the products currently catered to men and women who serve in the armed forces. The CFPB said it will use the feedback to inform the Office of Servicemember Affairs as they construct financial education and outreach programs for military families." *Click here for more.*

Click here to view the CFPB's press release

Rich Cordray Nomination

Editorial - Consumers and honest bankers deserve a Cordray confirmation
Cleveland Plain Dealer
September 7, 2011

"Former Ohio Attorney General Richard Cordray isn't the only one getting a raw deal from Senate Republicans who say they have no intention of allowing him to become the first director of the new Consumer Financial Protection Bureau. So are everyday Americans who were hurt by the mortgage and credit-card excesses of the past decade. And so -- difficult as it may be for some of them to admit -- are the honest bankers and financial services executives who continue to face both popular distrust and regulatory uncertainty." *Click here for more.*

Senators at Odds Over Cordray's CFPB Nomination
Melanie Waddell (AdvisorOne)
September 6, 2011

"Members of the Senate Banking Committee were at odds on Tuesday as to whether Richard Cordray is qualified to be the first director of the Consumer Financial Protection Bureau (CFPB). Cordray, who currently serves as head of the CFPB's enforcement division, was nominated by President Obama on July 18 to serve as the bureau's director. A vote on Cordray's nomination did not take place on Tuesday, and will be scheduled and announced at a later date." *Click here for more.*

Click here to view/read testimony from the Senate Banking Committee hearing.

Click here to view AFR's press statement on the hearing

Excerpt:

> *"Richard Cordray has an excellent and balanced record of service in the public interest and he will make a strong and effective head for the Consumer Financial Protection Bureau (CFPB). We urge the Senate to confirm him swiftly as Director, so that the CFPB can move full speed ahead in doing its job of policing fair rules of the road for individuals and families as they navigate the financial marketplace. Refusing to consider a nominee for Director of the Bureau unless the law is changed and the CFPB is weakened – as 44 Republican Senators have pledged to do – is simply standing in the way of consumer protection."*

Click here to view Consumers Union's press statement, click here to view CFA's press statement,

Will they stand with the banks or consumers?
Adam Smith (Public Campaign)
September 6, 2011

"On Tuesday, the Senate Banking committee will hold a nomination hearing for Richard Cordray, the man selected by President Obama to lead the Consumer Financial Protection Bureau (CFPB). Sen. Richard Shelby (R-Ala.), the ranking Republican on the committee, said Cordray's nomination was 'dead on arrival' unless concessions were made to weaken the agency's ability to hold Wall Street banks accountable. Sen. Shelby has received significant support from Wall Street donors during his time in Congress. A day after Sen. Shelby published an op-ed in the Wall Street Journal about his opposition to Cordray, the Alabama Senator's political action committee (PAC), Defend America, received a $5,000 donation from the Goldman Sachs PAC and $1,500 from the PAC for MFS, a Boston-based investment firm." *Click here for more.*

Republicans and Democrats fight, Cordray waits
CNBC.com
September 6, 2011

"On Tuesday, Richard Cordray will sit down with the Senate Banking Committee to interview for a job he is unlikely to get. Cordray, a former attorney general in Ohio, has been nominated to be the first director of the new Consumer Financial Protection Bureau (CFPB). Republicans have opposed the agency as a regulatory overreach since it was created as part of the 2010 Dodd-Frank financial oversight law. Cordray's best chance of being confirmed by the Senate is if the administration and Republicans do something they have been unable to do in recent months: compromise." Click here for more.

Republicans Vow Opposition to U.S. Consumer Bureau Nomination
Carter Dougherty (Bloomberg)
September 6, 2011

"Senate Republicans hearing testimony from President Barack Obama's nominee to head the Consumer Financial Protection Bureau said they wouldn't confirm anyone to run the agency without changes to its structure. Republicans have a 'substantive disagreement' about how the bureau functions under the Dodd-Frank financial regulatory overhaul, said Senator Richard Shelby, the top Republican on the Senate Banking Committee, reiterating his opposition to the nomination of Richard Cordray." Click here for more.

Cordray Hearing Devolves into Partisan Fight Over CFPB Structure
Kate Davidson (American Banker – subscription required)
September 6, 2011

*"In a long-awaited showdown over the future of the Consumer Financial Protection Bureau on Tuesday, Republicans and Democrats sparred over whether the Senate should proceed with the nomination of the bureau's first director. … Consumer advocacy groups, including the Consumers Union and National Council of La Raza, along with a slew of businesses, issued statements ahead of the hearing calling on Congress to confirm Cordray and let the bureau begin its work. 'It's time for Congress to set aside politics and confirm Richard Cordray so the CFPB can fully protect consumers,' said **Pamela Banks**, the senior policy counsel for the **Consumers Union**. 'Holding up this nomination may be good for the big banks and shady lenders, but not for the families whose finances are drained by high-cost loans and other unfair financial practices.' **Travis Plunkett**, the legislative director for the **Consumer Federation of America**, said the hearing was a crucial first step in making sure the bureau is "an effective cop on the beat.' 'While CFA does not endorse specific nominees, Cordray has the requisite knowledge of the financial services marketplace and a very strong track record as an effective, even-handed financial regulator,' Plunkett said in a prepared statement." Click here for more.*

Consumer Pick Vows to Streamline Regulations
Edward Wyatt (NYT)
September 6, 2011

"The nominee to lead the new Consumer Financial Protection Bureau told a Senate committee on Tuesday that he would make it a priority "to streamline and cut back" a mountain of regulations that has grown up over the last 30 years, which he said excessively burdened some banks and discourages them from lending money to consumers." Click here for more.

Consumer Protection Bureau in Political Limbo
Katherine Reynolds Lewis (The Fiscal Times)
September 6, 2011

*"Until the Senate confirms a director, the new Consumer Financial Protection Bureau cannot impose rules on some of the worst actors in the 2008 financial crisis: payday lenders and non-bank mortgage brokers. … But **Lisa Donner**, executive director of **Americans for Financial Reform**, pointed out that those existing enforcement powers failed to protect Americans from fraud and abuse to the tune of billions of dollars every year. 'Reckless and deceptive behavior by irresponsible parties that included banks and non-banks, including mortgage companies, were fundamental causes of the financial crisis,' **Donner** said…. Cordray, an attorney currently serving as the CFPB's enforcement chief, previously held positions as Ohio's attorney general and state treasurer. 'It's striking how loud and how widespread the support for Rich Cordray has*

*been, especially in Ohio from the folks who know him the best,' **she** said. 'He's got a record of standing up for consumers and of being fair and effective.'" Click here for more.*

The 3 Silliest Remarks From the Senate's Cordray Hearing
Martha C. White (Time – Moneyland)
September 7, 2011

"Richard Cordray, the former Ohio attorney general picked by President Obama to lead the Consumer Financial Protection Bureau, had a hearing with the Senate Banking Committee Tuesday. The elephant in the room — no pun intended — is that 44 Republican senators have said they'll block the confirmation of any director to head the new CFPB unless the Obama administration agrees to substantially change the agency's makeup in a way that would almost certainly curtail its ability to crack down on providers of predatory financial products. … 'The director will be virtually free of any constraints on his authority,' he claimed. 'It's only a matter of time before this concentration of power is abused or misused.' – Senator Richard Shelby (R-Ala.) … 'We're creating an environment … encouraging people to default.' - Senator Bob Corker (R-Tenn.)… 'It's not typical to have a political activist … announced to be head of a national organization.' – Senator Corker" Click here for more.

Elect the head of the CFPB!
Democracy in America blog (The Economist)
September 7, 2011

"THE two Republican Senators who showed up for the nomination hearings for Richard Cordray, whom Barack Obama nominated to head the new Consumer Financial Protection Bureau, made it clear their opposition is nothing personal, reports the Cleveland Plain Dealer*. Richard Shelby, a senator from Alabama, told Mr Cordray: 'I'm sure that you have a good background. You've got a fine family, too.' It's just that Mr Cordray happens to have been nominated as the latest jackbooted thug of government repression to stamp in the face of capitalism and freedom. … Of course, for that very reason, there's no way Richard Shelby would agree to have the director of the CFPB be elected by the public. He's not pushing for the bureau to be more accountable to voters. He's pushing for it to be more accountable to the financial industry." Click here for more.*

Piden confirmar a líder de oficina de protección al consumidor en EUA
Notimex (Spanish language wire service)
September 1, 2011

" Líderes de organizaciones civiles pidieron hoy al Congreso confirmar a Richard Cordray como director de la Oficina de Protección Financiera del Consumidor (CFPB), cargo al que fue nominado en julio pasado por el presidente Barack Obama. La CFPB, la primera entidad federal enfocada en luchar contra el crimen financiero, favorecería en particular a los latinos que son víctimas de fraude, dijo a Notimex la analista de políticas del Consejo Nacional de La Raza, Marisabel Torres. Los abusos financieros incluyen productos como hipotecas, tarjetas de crédito y transferencia de dinero, entre otros." Click here for more.

Support Surges in Ohio for Cordray as Nation's Chief Consumer Cop
Click here to view an OH sign on letter from consumer and housing advocates, big city mayors, public officials, faith-based groups and statewide nonprofits join an A-list of state business and financial industry leaders urging Senators to confirm Rich Cordray.

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Shadow Markets and Systemic Risk

AFR Letter Opposing H.R. 2682
Click here to view AFR's letter to House Members urging them to oppose H.R. 2682, which is intended to prohibit regulators from requiring, under any circumstances, that a swap dealer take margin from a so-called "commercial end user" when performing derivatives transactions. This prohibition is both unnecessary and dangerous. It is unnecessary because regulators have already proposed rules that would exempt commercial end users from margin requirements in almost all cases where dealers don't already ask for margin in the existing market.

AFR Bulletin: Dodd-Frank Derivatives Regulations Will Bring Benefits, Not Costs To Main Street
Click here to view AFR's latest bulletin - new Dodd-Frank derivatives requirements require that companies making bets in the derivatives markets temporarily set aside margin (or collateral) to guarantee their derivatives. This margin protects derivatives users from potential losses if their counterparties end up owing it money on a derivatives trade – it serves as collateral for the implicit loan made to cover the risk that the customer might lose money on their derivatives contract. Posting margin ensures we don't repeat the panic and confusion that un-margined and unregulated derivatives created in financial markets during the crisis of 2008.

CFTC Will Delay Votes on Dodd-Frank Margin Rules Until 2012
Reuters
September 7, 2011

"The U.S. Commodity Futures Trading Commission will delay votes on some Dodd-Frank Act final rules for the $601 trillion swaps market until the first quarter of 2012, postponing the date the regulations would take effect until later next year. The announcement of the delay by CFTC chairman Gary Gensler is the second time the agency has sought additional time to complete rules aimed at reducing risk and increasing transparency in the swaps market. The CFTC already delayed other rules originally slated to take effect July 16 until as late as the end of this year." Click here for more.

Click here to view CFTC Chairman Gensler's statements of support on Swap Transaction Compliance and Implementation Schedule – Clearing and Trade Execution Requirements and Swap Transaction Compliance and Implementation Schedule – Trading Documentation and Margining Requirements.

Click here to view/read testimony from the rest of the Open Meeting on Two Proposed Rules under the Dodd-Frank Act

Feared SEC Watchdog Preps Slew of Reports
Jean Eaglesham and Jessica Holzer (WSJ – subscription required)
September 8, 2011

"The Securities and Exchange Commission is bracing for a battery of reports from its internal watchdog that could be fodder for legislators looking to clip the agency's wings. … The reports, to be issued this month by the SEC's inspector general, involve several serious issues that could help determine the agency's standing on Capitol Hill. They include allegations that regulators destroyed documents relating to initial probes; alleged conflicts of interest concerning payments to Bernard Madoff victims; the 'revolving door' between the SEC and Wall Street; and the financial package offered a former SEC official. One of the most important of the looming reports, due to be finalized midmonth, concerns the SEC's handling of a potential conflict of interest involving the Madoff fraud." Click here for more.

Investor protections imperiled by Wall Street, GOP assault on financial reform
John F. Wasik (iWatchnews.org)
September 7, 2011

"It's no secret that a powerful, well-funded coalition of mega-banks, derivatives users and insurance brokers wants to see major pieces of the Wall Street financial reform law dismembered and defunded. They are partnering with mostly GOP House members to do so. What's lost in this complex cyclone of industry lobbying, free-market ideology and campaign contributions: some of the most pro-investor protections of the law are at risk of disappearing, including safeguards that would help every American who deals with a broker, bank or insurance adviser." Click here for more.

International

AFR's Comment to Financial Stability Board on International Resolution

AFR submitted a comment last Friday on the Financial Stability Board's proposed principles on coordination of bank resolution authority. The comment called on regulators to prioritize reducing the complexity of international financial institutions, rather than simply attempting to manage such complexity. You can also view this comment on our website here.

Regulators poised to soften new bank rules
Brooke Masters and Megan Murphy in London (FT – registration required)
September 5, 2011

"Global bank regulators are preparing to ease new rules that would require banks to hold more liquid assets to withstand a funding crunch in a crisis. The move follows complaints from banks that the new Basel III standards on liquidity – the first international rules of their kind – would force them to sharply curtail lending to consumers and businesses." Click here for more.

Click here to view AFR's comment letter to Basel Committee on Capital Surcharges for the Largest Banks.

AFR submitted a comment to the Basel Committee, which sets international standards for minimum levels of bank equity capital, concerning the levels of required capital for the largest world banks (so called Global Systemically Important Banks, or G-SIBs). AFR believes the proposed Basel minimum capital levels for these banks are far too low, and the Committee's own analysis implies much higher capital levels should be set for these entities.

Commodity Speculation

CME takes aim at 'parasitic' derivatives
Gregory Meyer in New York (FT – registration required)
September 8, 2011

"The head of the largest US futures exchange has labelled derivatives that track the price of traditional commodity futures 'parasitic', stoking tension over proposed US curbs on speculators. Craig Donohue, chief executive of Chicago-based CME Group, said that pending US rules limiting commodity speculation would prompt banks and hedge funds to abandon futures that require physical delivery and pour money into contracts that settle in cash." Click here for more.

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Foreclosures and Housing

US banks offered deal over lawsuits
Shahien Nasiripour in New York (FT – registration required)
September 5, 2011

"Big US banks in talks with state prosecutors to settle claims of improper mortgage practices have been offered a deal that is proposed to limit part of their legal liability in return for a multibillion dollar payment. The talks aim to settle allegations that banks including Bank of America, JPMorgan Chase, Wells Fargo, Citigroup and Ally Financial seized the homes of delinquent borrowers and broke state laws by employing so-called 'robosigners', workers who signed off on foreclosure documents en masse without reviewing the paperwork." Click here for more.

Settlement Said to Be Near for Fannie and Freddie
Ben Protess and Azam Ahmed (Dealbook/NYT)
September 8, 2011

"Regulators are nearing a settlement with Fannie Mae and Freddie Mac over whether the mortgage finance giants adequately disclosed their exposure to risky subprime loans, bringing to a close a three-year investigation. The proposed agreement with the Securities and Exchange Commission, under the terms being discussed, would include no monetary penalty or admission of fraud, according to several people briefed on the case. But a settlement would represent the most significant acknowledgement yet by the mortgage companies that they played a central role in the housing boom and bust. … Any fee levied against them would simply wind up on the taxpayers' tab." Click here for more.

Banks Took $6B in Reinsurance Kickbacks, Investigators Say
Jeff Horwitz (American Banker – subscription required)
September 6, 2011

"Many of the country's largest banks received $6 billion in kickbacks from mortgage insurers over the course of a decade, according to a previously undisclosed investigation by the Inspector General of the Department of Housing and Urban Development. The allegations, since referred to the Department of Justice, stem from lenders' demand that insurers cut them in on the lucrative business of insuring the mortgages they produced during the housing boom. In exchange for the their business, companies such as Citigroup Inc, Wells Fargo & Co, SunTrust Banks Inc. and Countrywide allegedly required reinsurance partnerships on generous terms that violated the Real Estate Settlement Procedures Act, a 1974 law prohibiting abusive home sales practices." Click here for more.

Obama Re-Election Threat Spurs Search for New Ideas on Housing
Lorraine Woellert (Bloomberg)
September 2, 2011

"President Barack Obama and his aides are increasingly worried that the ongoing housing crisis is undermining an economic recovery and could become an obstacle to his re-election. The challenge is particularly acute in a handful of states still reeling from foreclosures and declining property values. Voters in those swing states -- including Florida, Ohio and Nevada -- could decide whether Obama is re-elected." Click here for more.

CBO casts doubt on mortgage refinancing plan
Shahien Nasiripour in New York (FT – registration required)
September 8, 2011

"A US initiative to refinance loans held by millions of homeowners with new government-backed mortgages at current rock-bottom interest rates would saddle private investors with twice as much in losses as borrowers would get in payment relief, researchers at the Congressional Budget Office have found. The working paper considers a one-year model plan in which homeowners who are up-to-date on their loan payments could refinance into fixed 30-year mortgages backed by Fannie Mae, Freddie Mac or the Federal Housing Administration. Some 2.9m mortgages worth $428bn would be refinanced, saving borrowers $7.4bn from lower payments and averting 111,000 defaults at a cost of about $600m to the US government, the CBO said." Click here for more.

Guest Blog - Wall Street Bankers Whine That They Shouldn't Have To Pay For Their Fraud
Peter Swire (guest blogger – ThinkProgress.org)
September 8, 2011

"Here's another reason for the rest of us to get mad at Wall Street. Even where the government can prove massive fraud in the mortgage market, the finance folks are saying the suits should be dropped. …But there are so many reasons why the people who perpetrate fraud should pay for it. To pick two often voiced by conservatives, take 'personal responsibility' and 'property rights.'" Click here for more.

Probe Into Goldman Widens
Steve Eder, Michael Rothfeld and Aaron Lucchetti (WSJ – subscription required)
September 7, 2011

"Prosecutors in New York are pressing ahead with their inquiry into the way Goldman Sachs Group Inc. marketed certain mortgage-linked instruments before the financial crisis, issuing subpoenas to Morgan Stanley and other investors in the deals, people familiar with the matter said. Some of the subpoenas were received in recent weeks, the people said. The Manhattan district attorney's office began its probe into Goldman following the release in April of a U.S. Senate subcommittee report into the causes of the crisis. Goldman was featured prominently in that report." Click here for more.

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Credit Ratings Agencies

Why You Shouldn't Trust Ratings From Rating Agencies
Ryan C. Fuhrmann (SF Chronicle)
September 5, 2011

"Along with stock market investors, the credit ratings agencies have had a rough decade. The ratings agencies have encountered serious criticism over their fundamental role of providing ratings for the credit of corporations and government entities. That criticism has only increased in recent years and was further heightened recently as Standard & Poor's downgraded the United States from the highest AAA rating." Click here for more.

S&P Met With Bond Firms
Matt Phillips and Jean Eaglesham (WSJ – subscription required)
September 7, 2011

"Standard & Poor's Corp. officials held private meetings with large bond investors weeks before the firm's historic U.S. debt downgrade, leaving some believing the chance of a credit-rating cut was higher than they previously thought. Though S&P had put the U.S. on 'credit watch' in mid-July, some investors were skeptical that S&P would actually strip the U.S. of its triple-A rating, maintained since 1941. S&P said in a news release on July 14 that 'there is at least a one-in-two likelihood that we could lower' the U.S. ratings within 90 days. In the following weeks, S&P officials visited large bond firms including Allianz SE's Pacific Investment Management Co., Los Angeles-based TCW Group Inc., Legg Mason Inc.'s Western Asset Management and New York asset-management giant BlackRock Inc., according to people who either attended the meetings or were briefed on them afterward. Some of these investors say they came away with a stronger sense the nation's debt rating would be cut." Click here for more.

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Executive Compensation

Goldman Sachs's Pay Plan Hurts Shareholders, Lawyer Contends
Jef Feeley (Bloomberg)
September 7, 2011

"Goldman Sachs Group Inc.'s compensation plan, which almost doubled top executive Lloyd Blankfein's pay last year, unfairly rewards the investment bank's employees at shareholders' expense, a lawyer for investors said. Goldman Sachs, the fifth-biggest U.S. bank by assets, has lost $50 billion in market value since 1999 while the company has paid out billions in compensation to the firm's 31,000 employees, including Blankfein, its chairman and chief executive officer, John Harnes, an attorney for investors who have sued over the pay plan, argued today." Click here for more.

Ex-Yahoo CEO will walk away with millions
Julianne Pepitone (CNNMoneyTech)
September 7, 2011

"When Carol Bartz says she wishes Yahoo 'only the best going forward,' she means it -- her severance package leaves her with millions of dollars tied to the company's stock performance over the coming year." Click here for more.

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Interchange

The Durbin Amendment, Banking Fees And What It Means For You
Tim Chen, (Business Insider - NerdWallet)
September 2, 2011

"You've just opened your bank statement and what gives*? Seems like there are a lot of sneaky new fees lurking in there lately. It's not just you. Since the Durbin Amendment to the Dodd-Frank financial reform act passed in July 2010, banks have slowly begun charging their customers extra fees any way they can." Click here for more.*

New Card Brings Additional Aspect to 'Debit or Credit?'
David Morrison (Credit Union Times)
September 8, 2011

"A new card from Fifth Third Bank promises to make the often routine cashier question 'debit or credit' a lot more important for consumers who hold it and to bring the bank a strategy for getting around at least some of the Durbin Amendment interchange cap. The question has long been vital to card issuers as the consumer's response signaled whether a debit transaction would be routed as one authorized by a Personal Identification Number or by the use of the cardholder's signature." Click here for more.

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Student Lending

For-Profit College: We'll Pay You to Hire Our Graduates
Brian Stewart (Campus Progress – CAP)
September 9, 2011

"One California for-profit college has found a way to improve its job placement rate and, it says, help the local job market—by offering to pay companies up to $2,000 for hiring one of its graduates. The Smart Hire Employer Incentive Program launched by the University of Antelope Valley in partnership with the city of Lancaster, Calif., is only valid for graduates hired in the field they studied and available only in September, according to the Los Angeles Times*." Click here for more.*

ALEC and the Arizona legislature: For-Profit Colleges
David Safier (Arizona.com)
September 2, 2011

"This is a textbook case of how ALEC, corporations and Republican legislatures work together. For-profit colleges have been scamming students and taxpayers for years. Students are often left with huge loans to pay off after receiving near-worthless education, while the colleges get 90% of their revenues from federal student grants and loans. The Obama administration's Department of Education planned to tighten regulations to cut down on the excesses of the for-profit colleges, which led to what a Huffington Post article called "an unprecedented lobbying and campaign finance offensive over the past year by the for-profit college industry." The final regulations were a watered down version of the original DOE draft. One lobbying tactic was to get state legislatures lined up behind the for-profit colleges. That's where ALEC came in. APSCU, the Association of Private Sector [read, for-profit] Colleges and Universities, organized a significant chunk of the lobbying effort, including setting up a front group, 'Students for Academic Choice.' It also drafted a resolution for ALEC supporting the colleges, which it bragged about on its website:" Click here for more.

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FTT

Nurses to Obama: Heal America, Tax Wall Street
Mary Bottari (Huffington Post)
September 4, 2011

"As President Obama gets ready for his big jobs speech Thursday, America's nurses have a message for him. 'Heal America, Tax Wall Street!' the signs read as nurses rallied in front of 61 Congressional offices this week. The nurses are proposing a bold alternative to the 'cut, cut, cut' rhetoric emanating from Washington, D.C and governors across the nation. Their proposal? 'It's time for the Wall Street financiers who created this

crisis and continue to hold much of the nation's wealth to start contributing to rebuild this country and for the American people to regain their future,' explained Rosanne DeMoro, Executive Director of National Nurses United, in a press release. The nurses are joining groups across the nation and around the world calling for a [financial transaction fee] on high-volume, high-speed Wall Street trades, to tamp down dangerous gambling and to raise revenue for heath care, jobs and other critical needs. [Click here for more.]

EU plans tax on stocks and bonds trading
Reuters
September 8, 2011

"The European Commission is set to propose a tax on trading shares and bonds according to a senior EU official on Thursday, who said it will proceed with its plans in the eurozone if Britain objects. The proposal for a 0.1 percent tax, which has drawn criticism from the European Central Bank and others who say it may drive trading out of countries where it applies, could prove impractical to introduce though. But if EU officials strike a formula to impose the charge without scaring off traders, it could be central to the bloc's bid to tax banking following the global financial crisis." [Click here for more.]

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OTHER

SEC will not challenge proxy access verdict
Tim Human (Business Insiders - [Inside Investor Relations])
September 9, 2011

"The [SEC] has confirmed [it will not challenge the decision of an appeals court] that struck down the commission's proxy access rule. The rule would have opened up corporate proxy materials to [shareholder's] director nominations, but it was [nixed after a legal challenge from the Business Roundtable and the US Chamber of Commerce]." [Click here for more.]

Europeans Talk of Sharp Change in Fiscal Affairs
Louise Story and Matthew Saltmarsh (NYT)
September 5, 2011

"As leaders in Europe try to contain a deepening financial crisis, they are also increasingly talking about making fundamental changes to the way their 17-nation economic union works. The idea is to create a central financial authority — with powers in areas like taxation, bond issuance and budget approval — that could eventually turn [the euro] zone into something resembling a United States of Europe." [Click here for more.]

BofA reshuffles its top management
Tom Braithwaite, Shahien Nasiripour and Helen Thomas in New York (FT – registration required)
September 7, 2011

"Bank of America has reshuffled its top ranks, ousting Sallie Krawcheck from its wealth management division in an effort to streamline the beleaguered financial group. David Darnell, president of commercial banking, will run all of BofA's consumer businesses and Tom Montag, president of global banking and a former Goldman Sachs executive, will run the commercial and wholesale side of the group." [Click here for more.]

BofA Cutbacks May Hit 40,000
Dan Fitzpatrick (WSJ – subscription required)
September 9, 2011

"Bank of America Corp. officials have discussed eliminating roughly 40,000 positions during the first wave of a restructuring that Chief Executive Brian Moynihan is expected to discuss Monday, said people familiar with the plans. The numbers aren't final and could change. The restructuring would reduce the bank's work force over a period of years. In fact, Mr. Moynihan may not discuss a job-cut number during next week's presentation at the Barclays Capital 2011 Global Financial Services Conference in New York." [Click here for more.]

In Euro Zone, Banking Fear Feeds on Itself
Landon Thomas Jr. and Nelson D. Schwartz (NYT)
September 6, 2011

"Remember the collapse of Lehman Brothers? Europeans certainly do. As Europe struggles to contain its government debt crisis, the greatest fear is that one of the Continent's major banks may fail, setting off a financial panic like the one sparked by Lehman's bankruptcy in September 2008. European policy makers, determined to avoid such a catastrophe, are prepared to use hundreds of billions of euros of bailout money to prevent any major bank from failing. But questions continue to mount about the ability of Europe's banks to ride out the crisis, as some are having a harder time securing loans needed for daily operations. American financial institutions, seeking to inoculate themselves from the growing risks, are increasingly wary of making new short-term loans in some cases and are pulling back from doing business with their European counterparts — moves that could exacerbate the funding problems of European banks." Click here for more.

Occupy Wall Street will lay siege to U.S. greed
Paul B. Farrell (Marketwatch column)
September 6, 2011

"The start of WWIV? Too strong? Maybe just the 'Second American Revolution?' Too dramatic? Either way, this is a new D-Day, the invasion of Wall Street. And a global game-changer. On Sept. 17, the Arab Spring becomes the new American Fall, with 20,000 revolutionaries in a tent city. Plus 'solidarity' occupations in major financial centers worldwide, all ready for a long siege, vowing not to leave till they get their 'one simple demand.' Occupy Wall Street is a "leaderless resistance movement" spearheaded by the edgy Adbusters magazine, which in July issued a call for the Sept. 17 occupation of Wall Street. … Now a massive show of solidarity is rapidly emerging for Occupy Wall Street rallies at major financial centers: London, Madrid, Milan, Paris, L.A., San Francisco 'and with a bit of luck, this list of participating cities will expand' maybe even include the world's most powerful bank, the Federal Reserve Bank in Washington. But will 20,000 show up? Warning: Could be lots more." Click here for more.

Feasting on Paperwork
Eric Dash (NYT)
September 8, 2011

"The amount billed by Debevoise & Plimpton to write a 17-page letter on a new rule intended to rein in risky banking — around $100,000 — would make most authors jealous. That's the fee just for parsing the proper definition of a bank-owned hedge fund. Longer and more complex regulatory missives, weighing in on who should be deemed too big to fail or how derivatives are traded, can easily cost twice as much. These comment letters could save Wall Street banks billions of dollars if they help persuade policy makers to adopt a more lenient interpretation of the coming rules. And white-shoe law firms like Debevoise & Plimpton are cranking them out by the dozen. Call it Dodd-Frank Inc." Click here for more.

Nominee Is Named for Key Treasury Post
Jared A. Favole and Damian Paletta (WSJ – subscription required)
September 7, 2011

"President Barack Obama on Wednesday nominated a former adviser to the Commodity Futures Trading Commission to become an assistant secretary for financial institutions at the Treasury Department. The assistant secretary for financial institutions is a key role in the administration that helps develop policy affecting banks, Wall Street firms and consumers. It will be an integral post in the administration's implementation of the Dodd-Frank financial-overhaul law and in monitoring emerging risks in financial markets." Click here for more.

Banking Committee Approves Nominees for FDIC, SEC, OCC, FSOC, SIPC
Senate Banking Committee Release
September 8, 2011

"Today, Senate Banking Committee Chairman Tim Johnson (D-SD) held a Committee markup of the nominations of Mr. Anthony Frank D'Agostino and Mr. Gregory Karawan to be Directors of the Securities Investor Protection Corporation; the Honorable Luis Aguilar and Mr. Daniel Gallagher to be Members of the Securities and Exchange Commission; Mr. S. Roy Woodall, Jr. to be a Member of the Financial Stability Oversight Council; the Honorable Martin Gruenberg to be a Member and Chairperson of the Board of

Directors of the Federal Deposit Insurance Corporation; and the Honorable Thomas Curry to be Comptroller of the Currency.The Committee approved all the nominees with bipartisan support by unanimous voice vote, and their nominations will now be sent to the floor for consideration by the full Senate. Below is Chairman Johnson's statement following the markup." *Click here for more.*

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Upcoming Events

CFPB

The Consumer Financial Protection Bureau (CFPB) invites you to join us for a special event in Philadelphia. On the three-year anniversary of the peak of the financial crisis, **Raj Date, Special Advisor to the Secretary of the Treasury on the CFPB**, will deliver a speech on lessons learned from the mortgage meltdown and how those lessons can be applied to the consumer bureau's work moving forward.

The speech will take place on **Thursday, September 15, 2011, at 12:30PM** at the **National Constitution Center (Kirby Auditorium) in Philadelphia** (525 Arch Street, Philadelphia, PA 19106).

The CFPB, which opened in July 2011, was created by the Dodd-Frank Wall Street Reform and Consumer Protection Act and is the first federal agency devoted to consumer protection in the financial marketplace. For more information on the Bureau, please visit www.consumerfinance.gov.

This event is open to the public and requires an RSVP. To RSVP, email your full name and your organizational affiliation (if any) to **sept15@cfpb.gov**.

SEC

No meetings as of 9/9/11

CFTC

No meetings as of 9/9/11

Senate

Senate Banking, Housing, and Urban Affairs Committee

All hearings are webcasted live and will not be available until the hearing starts. Individuals with disabilities who require an auxiliary aid or service, including closed captioning service for webcast hearings, should contact the committee clerk at 202-224-7391 at least three business days in advance of the hearing date.

New Ideas for Refinancing and Restructuring Mortgage Loans - Housing, Transportation, and Community Development

Wednesday, September 14, 2011
02:00 PM - 04:00 PM
538 Dirksen Senate Office Building

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS SUBCOMMITTEE ON HOUSING, TRANSPORTATION, AND COMMUNITY DEVELOPMENT will meet in OPEN SESSION to conduct a hearing entitled "New Ideas for Refinancing and Restructuring Mortgage Loans." The witness will be: Mr. David Stevens, President and CEO, Mortgage Bankers Association. Additional witnesses may be announced.

Emerging Issues in Insurance Regulation - Securities, Insurance, and Investment

Wednesday, September 14, 2011
09:30 AM - 11:00 AM
538 Dirksen Senate Office Building

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS SUBCOMMITTEE ON SECURITIES, INSURANCE, AND INVESTMENT will meet in OPEN SESSION to conduct a hearing entitled "Emerging Issues in Insurance Regulation." The witnesses will be: Mr. Baird Webel, Specialist in Financial Economics, Congressional Research Service; Dr. Martin Grace, James S. Kemper Professor, Georgia State University; and Mr. Daniel Schwarcz, Associate Professor, University of Minnesota Law School. Additional witnesses may be added.

Housing Finance Reform: Should There be a Government Guarantee?

Tuesday, September 13, 2011
10:00 AM - 12:00 PM
538 Dirksen Senate Office Building

The Honorable Peter Wallison, Arthur F. Burns Fellow in Financial Policy Studies, American Enterprise Institute; Dr. Dwight Jaffee, Willis Booth Professor of Banking, Finance and Real Estate, University of California, Berkeley; Professor Adam Levitin, Professor of Law, Georgetown Law Center. Additional witnesses may be announced at a later date.

Senate Committee on Finance

No pertinent markups/hearings scheduled as of 9/9/11

Senate Committee on Agriculture, Nutrition, and Forestry

No pertinent markups/hearings scheduled as of 9/9/11

House

House Committee on Financial Services

Hearing entitled "Fixing the Watchdog: Legislative Proposals to Improve and Enhance the Securities and Exchange Commission"
Thursday, September 15, 2011 10:00 AM in 2128 Rayburn HOB
Full Committee

Hearing entitled "HUD and NeighborWorks Housing Counseling Oversight"
Wednesday, September 14, 2011 2:00 PM in 2128 Rayburn HOB
Insurance, Housing and Community Opportunity

Hearing entitled "Cybersecurity: Threats to the Financial Sector"
Wednesday, September 14, 2011 10:00 AM in 2128 Rayburn HOB
Financial Institutions and Consumer Credit

Hearing entitled "Ensuring Appropriate Regulatory Oversight of Broker-Dealers and Legislative Proposals to Improve Investment Adviser Oversight"
Tuesday, September 13, 2011 10:00 AM in 2128 Rayburn HOB
Capital Markets and Government Sponsored Enterprises

H.R. ____, "Investment Adviser Oversight Act of 2011"

WITNESS LIST

Mr. William E. Dwyer III, Chairman, Financial Services Institute, Mr. Ken Ehinger, President and Chief Executive Officer, M Holdings Securities, Inc., on behalf of the Association for Advanced Life Underwriting, Mr. Terry Headley, President, National Association of Insurance and Financial Advisors, Mr. Steven D. Irwin, Commissioner, Pennsylvania Securities Commission, on behalf of the North American Securities Administrators Association, Mr. Richard G. Ketchum, Chairman and Chief Executive Officer, Financial Industry Regulatory Authority, **Ms. Barbara Roper, Director of Investor Protection, Consumer Federation of America**, Mr. John G. Taft, Chief Executive Officer, RBC Wealth Management, on behalf of the Securities Industry and Financial Markets Association, Mr. David Tittsworth, Executive Director/Executive Vice President, Investment Adviser Association

House Small Business Committee

No pertinent markups/hearings scheduled as of 9/9/11

House Committee on Agriculture

No pertinent markups/hearings scheduled as of 9/9/11

Committee on Oversight and Government Reform

No pertinent markups/hearings scheduled as of 9/9/11

Subcommittee on TARP, Financial Services and Bailouts of Public and Private Programs

No markups scheduled as of 9/9/11

From the Roosevelt Institute:

There is ongoing discussion about the role of Fannie Mae and Freddie Mac in the financial crisis. Looking back, did government-sponsored enterprises contribute to the crisis? And moving forward, what kind of housing market do we want to have and what will the federal government need to do?

Please join Roosevelt Institute Senior Fellows **Rob Johnson, Jeff Madrick,** and **Joseph Stiglitz** along with Fellow **Mike Konczal** in Washington D.C. as we examine these questions and the future of housing policy in America.

The Government's Role in Housing Policy

September 13, 2011
8 a.m.-12:30 p.m.
at the Capitol Hill Visitors Center, Room SVC 212-210

Featuring keynote speakers

- **Phil Angelides**, Chairman of the Financial Crisis Inquiry Commission
- **Joseph Stiglitz**, Nobel Prize-winning economist and Roosevelt Institute Senior Fellow

Panelists include:

- **Joshua Rosner**, co-author of *Reckless Endangerment*
- **Robert Van Order**, Professor of Finance and Oliver T. Carr Professor of Real Estate, George Washington University; former Chief Economist, Freddie Mac
- **Susan Wachter**, Richard B. Worley Professor of Financial Management; Professor of Real Estate and Finance,The Wharton School

Space is limited, so please RSVP to Madeleine Ehrlich at mehrlich@rooseveltinstitute.org or 212.444.9138. We'll begin with a continental breakfast from 8:00-8:30 a.m.

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 National Consumer Law Center:

Deadline for the early registration rate to the Consumer Rights Litigation Conference in Chicago is this **Friday, September 9th**. You can register today by clicking on this link here: Register Online **The 20th Annual Consumer Rights Litigation Conference will take place at the luxurious Fairmont Chicago, Millennium Park Hotel on November 3-6, 2011**.

Over the years thousands of consumer attorneys have attended and gained insightful, useful information from experts in consumer law. Nearly 1,000 attorneys attended last year's conference in Boston. You don't want to miss the conference's cutting edge courses that will strengthen your cases, sharpen your legal strategies, and improve your results for your consumer clients. In addition to a full lineup of breakout sessions, plenaries, and the Consumer Class Action Symposium, the conference will feature a number of Intensive sessions that provide timely, in depth information on:

-- mortgage litigation and foreclosure defense
-- consumer bankruptcy
-- the FHA and RHS Loan Programs
-- student loan borrowers
-- debt collection suits
-- the Consumer Financial Protection Bureau
-- the new preemption rules
-- auto lending, internet payday loans, prepaid cards, and so much more!

Space permitting, hotel rooms are available at a special conference rate of $179 until **October 10, 2011**. For more information about our conference, speakers, agenda descriptions, hotel booking, scholarship information, and to register online go to Consumer Rights Litigation Conference 2011 .