THIS WEEK IN WALL STREET REFORM

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Grassroots Activities

Thousands in Chicago protest financial industry
Mary Wisniewski and Ann Saphir (Reuters)
October 10, 2011

"Thousands of people including teachers, religious leaders and union workers marched in downtown Chicago on Monday to voice mounting anger over joblessness and income inequality in protests that snarled rush-hour traffic. Chanting 'We are the 99 percent' and 'Tax, tax, tax the rich,' some demonstrators marched on Michigan Avenue and gathered outside the Chicago Art Institute where a U.S. futures industry trade group was holding an evening cocktail reception. … One protester, dressed in a suit, got to a microphone during a panel discussion and asked Michael Heid, president of Wells Fargo Home Mortgage, a top national mortgage lender: 'How do you sleep at night?' The man asked Heid how could he even visit the Chicago area since so many been affected by foreclosures locally. Heid answered that he felt like he was before a congressional panel with such a tough line of questioning." Click here for more.

Protesters rally at mortgage bankers' convention
Amy Hoak (MarketWatch)
October 10, 2011

*"A gathering of protesters from a variety of community groups congregated late Monday afternoon outside the Hyatt Regency in Chicago, where more than 2,100 people in the mortgage-banking field are attending their industry's annual convention this week. Protesters demanded relief for struggling homeowners, including loan-principal reduction for those underwater on their mortgages, said **Tracy Van Slyke, co-director** of **New Bottom Line,** a campaign that challenges big bank interests on behalf of struggling and middle-class communities. The group also thinks banks aren't paying their fair share of taxes and wants them to invest more in small businesses, she said." Click here for more.*

Occupy Wall Street Delivers $5 Billion Check to John Paulson's Door
Lawrence Delevingne (Absolute Return + Alpha)
October 11, 2011

"John Paulson of Paulson & Co. may have lost billions of dollars for investors this year, but he's still the personification of hedge fund excess to the Occupy Wall Street movement. On Tuesday afternoon, Ann Valdez and Kflu Kflu were ready to tell the world why. Representatives from New York City non-profit advocacy group Community Voices Heard, the middle-aged pair stood in front of Paulson's $14 million-plus beige stone mansion at 9 East 86th Street in matching blue tee-shirts, press materials in hand. Protesters were coming to visit the townhouse as part of an Upper East Side 'Millionaire's March and Billionaires Tour' to the homes of Paulson and such ultra wealthy financiers as David Koch and Rupert Murdoch to demand 'accountability for Wall Street crimes' and higher taxes for the rich. Media helicopters hovered above. Two bulky men in dark suits stood by to 'monitor the situation' according to one who declined to say who he was working for. And Valdez, an out-of-work mother from Coney Island, had a page full of talking points ready on the hedge fund manager who made $4.9 billion last year. 'He has 28,000 square feet! And we, the 99% of NYS, are giving him a tax cut!' read one. 'He even helped Goldman Sachs form bonds HE KNEW were going to fail!'" Click here for more.

Wall Street protesters in Augusta want jobs act
Glen Adams (AP)
October 13, 2011

"The ongoing series of Wall Street protests moved to Maine's capital Thursday as about two dozen trade workers, state employees and residents held a rally calling for passage of a federal jobs bill and a new tax to pay for it. 'They got bailed out, we got sold out,' the protesters chanted from under their umbrellas as they left the State House in the rain for the federal building a couple of blocks away to deliver their demands to the offices of U.S. Sens. Olympia Snowe and Susan Collins. Those demands included lists of projects that could be funded in Maine." Click here for more.

Occupy Wall Street: Housing Stories From the Front Lines
Stefanos Chen and Teke Wiggin (AOL Real Estate)
October 11, 2011

*"A few blocks away from the youth-led drum circles and costumed theatrics of Zuccotti Park, the epicenter of the Occupy Wall Street protests, some 15,000 activists, labor supporters and all-around rabble-rousers were preparing to march on the canyons of Lower Manhattan. 'They just called it,' said Amanda Devecka-Rinear, an exuberant, redheaded member of **National People's Action**, **a grassroots protest network**. She gestured toward the heaving mass of union workers and like-minded allies who seemingly planned the gathering overnight. Members of at least 39 organizations converged on Lower Manhattan last week with a list of grievances as varied as their presenters. Ostensibly, the march was a showcase for the city's labor unions -- but if you asked around, you were just as likely to hear about resource-based economies, pesky bank fees and socialism. Yet rather than distracting from the goals of its many constituents, the Occupy Wall Street protests -- and the 'Occupy' offshoots spreading across the nation -- may be galvanizing its participants around the big-tent issues that matter most. And for the ranks of the unemployed and the underwater, a key issue at the forefront is housing." Click here for more.*

'Occupy Wall Street' aims ire at foreclosures
Ben Hallman and Michael Hudson (iWatchnews.org)
October 13, 2011

"As many as a dozen 'Occupy Wall Street' protestors and their allies were arrested Thursday afternoon as they tried to stop a foreclosure auction inside a courthouse in Brooklyn, N.Y. As the auctioneer called the proceeding to order, the protestors, who had been sitting quietly in the courtroom, broke into song. 'Mrs. Auctioneer, all the people here are asking you to hold all the sales right now,' they sang, in surprising harmony. 'We're hoping to survive, but we don't know how.' "Click here for more.

Taibbi - My Advice to the Occupy Wall Street Protesters
Matt Taibbi (Rolling Stone)
October 12, 2011

"I've been down to 'Occupy Wall Street' twice now, and I love it. The protests building at Liberty Square and spreading over Lower Manhattan are a great thing, the logical answer to the Tea Party and a long-overdue middle finger to the financial elite. The protesters picked the right target and, through their refusal to disband after just one day, the right tactic, showing the public at large that the movement against Wall Street has stamina, resolve and growing popular appeal. But... there's a but*. And for me this is a deeply personal thing, because this issue of how to combat Wall Street corruption has consumed my life for years now, and it's hard for me not to see where Occupy Wall Street could be better and more dangerous. I'm guessing, for instance, that the banks were secretly thrilled in the early going of the protests, sure they'd won round one of the messaging war. …But the time is rapidly approaching when the movement is going to have to offer concrete solutions to the problems posed by Wall Street. To do that, it will need a short but powerful list of demands. There are thousands one could make, but I'd suggest focusing on five…1. Break up the monopolies. …2. Pay for your own bailouts. …3. No public money for private lobbying. …4. Tax hedge-fund gamblers. …5. Change the way bankers get paid." Click here for more.*

Bank Transfer Day: A Protest With Your Money
Brian O'Connell (The Street)
October 12, 2011

*"Occupy Wall Street has dominated headlines for the past few weeks, with advocates and critics jaw-boning over whether it was government or Wall Street that fueled the financial crisis (here's a vote for both). But even critics can't argue about the growth prospects of the "occupations" taking place in urban centers across the U.S. Now comes an offshoot of Occupy Wall Street that takes aim at banks where it hurts them most -- in their vaults. The social uprising -- called "Bank Transfer Day" -- encourages bank customers to take their cash out of big banks and put it in smaller banks and credit unions instead. The movement is ostensibly in response to aggressive fees institutions are rolling out to recover profits lost from new financial regulations, notably Bank of America's(BAC_) decision to stick debit card users with a $5 monthly fee and **Wells Fargo's**(WFC_) $3 test of the same." Click here for more.*

Parsing the Data and Ideology of the We Are 99% Tumblr
Mike Konzcal (Rortybomb)
October 9, 2011

"One of the most fascinating things to come out of the current We Are 99%/Occupy Wall Street protests is the [We Are 99% Tumblr](). At the site, people hold up signs that explain their current circumstances, and it tells the story of a whole range of Americans struggling in the Lesser Depression. It is highly recommended. … Given that we assume tumblr and webcams are technologies of the young, the age distribution has a higher tail end than I had expected. There were two major clusters – people around 20 and people around 27, each with their own major concerns." [Click here for more.]()

Protests Offer Help, and Risk, for Democrats
Eric Lichtblau (NYT)
October 10, 2011

"Leading Democratic figures, including party fund-raisers and a top ally of President Obama, are embracing the spread of the anti-Wall Street protests in a clear sign that members of the Democratic establishment see the movement as a way to align disenchanted Americans with their party. The Democratic Congressional Campaign Committee, the party's powerful House fund-raising arm, is circulating a petition seeking 100,000 party supporters to declare that 'I stand with the [Occupy Wall Street]() protests.'" [Click here for more.]()

Krugman - Panic of the Plutocrats
Paul Krugman (NYT op-ed)
October 9, 2011

"It remains to be seen whether the Occupy Wall Street protests will change America's direction. Yet the protests have already elicited a remarkably hysterical reaction from Wall Street, the super-rich in general, and politicians and pundits who reliably serve the interests of the wealthiest hundredth of a percent. And this reaction tells you something important — namely, that the extremists threatening American values are what F.D.R. called 'economic royalists,' not the people camping in Zuccotti Park." [Click here for more.]()

Tea party goes after Wall Street Occupiers
Robin Bravender & Kenneth Vogel (Politico)
October 13, 2011

"The tea party isn't about to make room for the new protesters on the block. Big tea party groups have launched an attack against the [Occupy Wall Street protests,]() challenging the line that the anti-corporate uprising is '[the tea party of the left]().' Tea partiers and their allies looking to de-legitimize the protests are circulating in the anti-Wall Street crowds, hunting for evidence of union ties, fringe rhetoric and bad behavior – ranging from news of arrests, to [recordings of incendiary speeches](), to tales of [littering, drug use and debauchery]()." [Click here for more.]()

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Attacks on Regulations

FACT CHECK: Regulations Not a Huge Jobs Killer
Calvin Woodward and Christopher S. Rugaber (AP)
October 12, 2011

"Is regulation strangling the American entrepreneur? Several Republican presidential candidates say so. The numbers don't. The anti-regulatory fervor was in evidence Tuesday night in the latest GOP debate, but rhetorical flourishes, on that and other issues, masked far more complex realities." [Click here for more.]()

Senate GOP unveils its jobs agenda
Manu Raju (Politico)
October 12, 2011

"President Barack Obama had his American Jobs Act. Now, Senate Republicans may have their Real *American Jobs Act. After more than two years in which the GOP political strategy to Obama's policies has*

revolved around the word 'no,' Republicans, who are growing increasingly confident they will win back the Senate in next year's elections, want to give voters a sense of how they'd attempt to turn around the struggling economy if they were in power. …On regulatory reform, Republicans will propose repealing the health care and financial reform laws and try to limit medical malpractice lawsuits. Any rule that would cost the economy more than $100 million would have to be approved by a joint resolution of Congress. In a shot at the president, no federal agency could issue regulations until the unemployment rate drops to 7.7 percent, the level in January 2009 when Obama took office." [Click here for more.]

Friendly fire hits Boehner on Dodd-Frank reform law
Molly K. Hooper (The Hill)
October 13, 2011

"Republican presidential candidates are ramping up pressure on House GOP leaders to repeal the 2010 Wall Street reform law. The issue is politically sensitive for Speaker John Boehner (R-Ohio) because it puts him between a rock and a hard place — the Wall Street reforms are more popular than the healthcare overhaul, and more complicated to explain to voters. Some Republicans on Capitol Hill believe an aggressive push to strike the law from the books would play into the hands of President Obama, congressional Democrats and the 'Occupy Wall Street' movement. Furthermore, they add, such a bill has no chance of passing the 112th Congress. … A GOP aide close to the committee explained that there are some portions of the law that Republicans were able to influence during conference discussion in 2010. For example, the final House-Senate compromise included GOP amendments. One offered by conservative Rep. Scott Garrett (R-N.J.) removed small businesses from certain restrictions imposed under an earlier financial reform measure, the Sarbanes-Oxley Act. 'There's some small parts of Dodd-Frank that are good … it's a very different animal than the healthcare [law],' the aide said." Click here for more.

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CFPB and Consumer Issues

CFPB makes mortgage servicing a top priority
Dave Clarke (Reuters)
October 13, 2011

"The new Consumer Financial Protection Bureau said on Thursday it will make oversight of the mortgage servicing industry a top priority as it ramps up its oversight of banks. Numerous state and government agencies are examining bank foreclosure practices and whether the proper legal steps are being taken by servicers, who collect and manage loan payments, when a borrower becomes delinquent on a loan." *Click here for more.*

CFPB outlines mortgage servicing regulation strategy
Kerri Panchuk (Housing Wire)
October 13th, 2011

"The Consumer Financial Protection Bureau released an outline Thursday, describing how the agency's examiners will begin their oversight of mortgage servicing firms. Market participants can review the agency's Mortgage Servicing Examination Procedures online. The outline is part of the agency's broader CFPB Supervision and Examination Manual. CFPB said it's already conducting examinations under the agency's jurisdiction." *Click here for more.*

Click here to view the CFPB's press statement outlining mortgage servicing examination strategy

Lawmakers seek probe on banks' new debit card fees
Marcy Gordon (AP)
October 13, 2011

"Members of Congress are asking the Justice Department to investigate whether Bank of America and other major banks improperly worked together to charge customers new monthly fees for using their debit cards. Rep. Peter Welch, D-Vt., and four other Democrats said Thursday that they've asked Attorney General Eric Holder to open a probe into possible collusion by the banks. Welch said the lawmakers had no evidence of

collusion. But he said the timing of the fees merit an investigation. 'You don't have a competitive marketplace,' Welch said at a news conference." Click here for more.

Obama Consumer Watchdog Said to Have Known About BofA Fee
Hugh Son (Bloomberg)
October 12, 2011

"The Obama administration's new consumer watchdog knew about Bank of America Corp.'s plan to impose a $5 monthly debit-card fee at least two weeks before the firm's announcement ignited a public firestorm, said people briefed on the discussions. The lender met with Consumer Financial Protection Bureau officials on Sept. 16 to inform them of the fee, Susan Faulkner, head of consumer banking products, told employees yesterday at a gathering in Delaware, said two people who attended. They asked for anonymity because the event was private. Faulkner said the regulator didn't oppose the fee, according to one of the people." Click here for more.

CFPB Symposium Tuesday 10-18-11 - Americans for Financial Reform Presents a Symposium **-** Independent Consumer Regulator Or Unaccountable Agency? Prominent Academic Experts Discuss the Powers, Checks and Balances and Structure of the Consumer Financial Protection Bureau (CFPB)

Tuesday, October 18, 2 pm – 3:30 pm
Senate Banking Committee Hearing Room, Dirksen 538
RSVP to erin@ourfinancialsecurity.org

Rich Cordray Nomination

Click here to view the White House fact sheet entitled "Fact Check: The Real Reasons Republicans in Congress are Blocking Richard Cordray at CFPB".

Nominee to Lead Consumer Agency Clears a Hurdle
Ben Protess (DealBook/NYT)
October 6, 2011

*"Richard Cordray's bid to lead the Consumer Financial Protection Bureau moved a step forward on Thursday, as a Senate committee approved his nomination along party lines. But with Senate Republicans united against the nomination, the move was largely symbolic. Mr. Cordray, who currently leads the bureau's enforcement division, now awaits scrutiny from the full Senate, where his nomination hopes are in doubt. Republicans have dug in against the bureau, vowing to block any nominee unless the new agency is subjected to additional oversight. While the bureau now has authority to file lawsuits against Wall Street and inspect the books at a wide range of large banks, it will not gain some of its greatest authority over the lending industry until the Senate confirms a director. Under the Dodd-Frank Act, the bureau needs a leader before it can police many lightly regulated financial firms, including tens of thousands of payday lenders, mortgage firms and debt collectors. …'We call on all senators to stand up for families and confirm Richard Cordray as C.F.P.B. director,' said **Lisa Donner**, head of **Americans for Financial Reform**, an advocacy group. 'Will you implement the law and make sure the C.F.P.B. can do its job helping people defend themselves from loan sharks big and small? Or will you block consumer protection and instead protect wrongdoing by companies that caused the financial crisis?'" Click here for more.*

Obama campaign using Twitter to help push for Consumer Bureau nominee
Peter Schroeder (The Hill)
October 10, 2011

*"President Obama's reelection campaign is calling on backers to join another White House fight — the push to get Richard Cordray named director of the Consumer Financial Protection Bureau (CFPB). The campaign has repurposed its "Tweet for Jobs" Twitter tool to allow voters to directly call on GOP senators to stop blocking Cordray's nomination. That tool, **unveiled** earlier this month to build support for the president's jobs bill, allows users to input their location and then directly tweet their lawmakers. Now, the campaign wants to harness that force to help push Cordray over the finish line." Click here for more.*

By Nuclear Threat or Weekend Recess
Victor Williams (Huffington Post)
October 10, 2011

"Majority rule returned to the Senate floor late on October 6, 2011. Harry Reid's bold procedural pushback was [not](#)the fulsome "nuclear option" of [initial reports](#) and [headlines](#). The Senate majority's unified, strategic and forceful stand against ever-increasing minority obstruction holds the potential, however, to be a [game-changing event](#) for the 112th Senate. 'Obviously, consequential and significant' is how Byron Dorgan (D-ND) [described](#)the majority's pushback. The event exposes how much damage Republicans inflict on the upper chamber in their single-minded compulsion to defeat Barack Obama. The procedural fight concerned the legislative amendment process, not confirmation filibusters. In the Senate floor discussions, however, Democratic leaders particularly referenced GOP confirmation obstruction that has resulted in an understaffed national government. … Obama's economic policy nominees are targeted for special confirmation abuse and neglect. In efforts to defeat Obama, the GOP hobbles the government's ability to respond to the economic crisis. Vacant top offices remain at Commerce, the Federal Reserve, Housing Finance, FDIC, Consumer Financial, Treasury, OMB, DOJ Antitrust and Tax, and Currency Comptroller (to name a just few). … The [obstruction](#) of Consumer Financial Protection Bureau nominee Richard Cordray highlights the absurdity of partisan obstruction. Months before Cordray's nomination, 44 Senate Republicans preemptively pledged to filibuster "any" CFPB director. Unable to prevent CFPB's creation under Dodd-Frank legislation, the GOP minority now undermines the new consumer agency's authority and operations. [Cordray was approved the same day as Krueger](#) by the Banking Committee; both nominees deserve an immediate up-or-down floor vote." [Click here for more.](#)

Axelrod calls for fairer mortgage finance, support of Cordray for CFPB
Jacob Gaffney (HousingWire)
October 11, 2011

"David Axelrod, former senior adviser to President Obama, said repairing housing and a creating fairer mortgage finance system would help ease the anger and frustration the country has with Wall Street as the economy remains stagnant. 'America and the American people need a strong financial system — a need you provide,' he said, making his comments Tuesday at the Mortgage Bankers Association annual conference in Chicago. … One way to help this along, he said, is with the immediate appointment of Richard Cordray as head of the Consumer Financial Protection Bureau." [Click here for more.](#)

Op-ed - Don't Let Banking Industry Capture the CFPB
Jeff Sovern (for American Banker)
October 12, 2011

"The Obama administration and Congressional Democrats scored a significant victory last year in passing legislation to create the Consumer Financial Protection Bureau. Yet the bureau can't fully protect consumers fully until it has a director. The president has nominated former Ohio Attorney General Richard Cordray to head the bureau, and he was approved by the Senate Banking Committee, but the nomination is stuck in the full chamber. Forty-four Senate Republicans have vowed to block the nomination until the bureau's structure is changed to a commission, among other changes. The House has already passed a bill to convert the bureau to a commission. …Jeff Sovern is a Professor of Law at St. John's University in New York." [Click here for more.](#)

Sen. Richard Shelby on Why He's Blocking the New Consumer Czar's Confirmation
Robert Bluey (RedState)
October 13, 2011

"Richard Cordray, President Obama's pick to lead the Consumer Financial Protection Bureau, [won approval](#) from the Senate Banking Committee last week on a party-line vote. His confirmation to run the new agency faces [fierce opposition from Republicans](#), who have vowed to block Senate approval until reforms are made to the agency. Sen. Richard Shelby (R-AL) is leading those calls for reform. As the ranking Republican on the Banking Committee, Shelby has maintained a hard line with Obama and Democrats on Cordray's confirmation. In an interview at The Heritage Foundation this week, Shelby criticized Obama for failing to respond to the GOP's suggested reforms for the CFPB. As a result, he encouraged Republican leaders to block Cordray and limit Obama's ability to make a recess appointment. 'Forty-four of us have written a letter to the president and asked for three changes,' Shelby said. 'We haven't heard from the president. Maybe

he's off campaigning. … Until we hear from him, I don't believe we're going to confirm anyone.'" Click here for more.

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Shadow Markets and Systemic Risk

Lawmakers sharpen focus on derivatives reform
Brian Scheid (Platts)
October 13, 2011

"Federal regulators are facing a new and redefined wave of pressure from lawmakers to lessen the impact of the mountain of derivatives rules, as the calls for repeal appear dead and legislation mandating delays seem unnecessary, now that deadlines have been missed. With final votes on clearing requirements and commodity position limits looming, the derivatives portion of the Dodd-Frank Wall Street Reform and Consumer Protection Act is getting a renewed focus on Capitol Hill, from both Democrats and Republicans." Click here for more.

Republicans take aim at U.S. derivatives reforms
Alexandra Alper (Reuters)
October 12, 2011

"Republican lawmakers pushed ahead on Wednesday with bills to limit the U.S. futures regulator's broad new authority over swaps, despite political divides that make passage unlikely. House Republicans are trying to advance seven bills that could constrain the Commodity Futures Trading Commission from developing rules to regulate the $600 trillion over-the-counter derivatives market, as mandated by last year's Dodd-Frank law to overhaul financial oversight." Click here for more.

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

Excerpt:

> *"Today's House Agriculture committee hearing is a loophole festival for the big swaps dealers. The Committee is considering seven different pieces of legislation. Almost every one of them would carve a significant loophole in the new derivatives protections created by the Dodd Frank Act."*

Most hedge funds to escape tighter oversight
Tom Braithwaite and Shahien Nasiripour in New York (FT – registration required)
October 12, 2011

"US regulators will examine non-bank financial groups with more than $50bn in assets to decide whether they are dangerous enough to merit tougher supervision and higher capital requirements – a threshold that will be a relief to most hedge funds and private equity firms. The Federal Reserve, Treasury and other regulators on the Financial Stability Oversight Council voted on Tuesday for criteria to designate companies as 'systemically important', a category that the industry has been lobbying hard to escape because of the potential hit to profits." Click here for more.

Too Big to Fail Not Fixed, Despite Dodd-Frank: Simon Johnson
Simon Johnson
October 9, 2011

"Here we go again. Major shocks potentially threaten the solvency of some of the world's largest financial institutions. Concerns grow over the ability of European leaders to shore up their banks, which are reeling from a sovereign-debt crisis. In the U.S., the shares of some large banks are trading at less than book value, while creditor confidence crumbles. Private conversations among economists, regulators and fund managers turn naturally to so-called resolution powers -- the expanded ability to take over and wind down private financial companies granted to federal regulators by the Dodd-Frank financial reform law. The proponents of these powers, including Tim Geithner and Henry Paulson, the current and former U.S.

Treasury secretaries, argue that the absence of such authority in the fall of 2008 contributed to the financial panic. According to this line of thought, if only the Federal Deposit Insurance Corp. had the power to manage the orderly liquidation of big banks and nonbank financial companies, the government could have decided which creditors to protect and on what basis. This would have helped restore confidence, it is argued." Click here for more.

US may start OTC derivatives clearing by April
Hal Weitzman in Chicago (FT – registration required)
October 11, 2011

"Derivatives traders could be forced to start clearing over-the-counter (OTC) swaps by April – months earlier than many industry participants expected – the US's top futures regulator said. Gary Gensler, chairman of the Commodity Futures Trading Commission, told the Futures Industry Association's annual conference in Chicago that if central clearing houses filed submissions by the end of the year 'a clearing mandate may take effect towards the beginning of the second quarter of next year'." Click here for more.

Click here to view CFTC Chairman Gensler's full remarks as prepared.

Click here to view CFTC Chairman Gensler's prepared remarks before the London School of Economics on Thursday.

Chris Whalen - Fair-value accounting, derivatives increase global debt deflation
Chris Whalen (Reuters)
October 7, 2011

"One of the themes I developed in my 2010 book, 'Inflated: How Money & Debt Built the American Dream,' is the idea that significant amounts of the reported GDP and employment of the post-WWII period and especially since the 1980s has been based upon debt and inflation. The debt-deflation crises today affecting both the US, EU and even China and other "emerging" nations seems to confirm this view. Two of the key symptoms we should consider to support this thesis regarding the role of inflation and debt in the industrial economies are 1) the rise of fair-value accounting and 2) the increase of derivatives, especially derivatives that settle in cash and have no direct link to any cash markets." Click here for more.

Volcker Rule

Click here to view AFR's press statement on the Volcker Rule.

Excerpt:

> *"The Volcker Rule, with its clear ban on both proprietary trading and conflicts of interest, is one of the short list of places where the Dodd-Frank Act imposes an outright ban on Wall Street practices central to the financial crisis. Unfortunately, the proposal issued today falls well short of what the Volcker Rule could and should achieve. It is too weighted toward preserving bank freedom of action, rather than creating the changes in bank practice and culture required by the statute," said **Lisa Donner**, **executive director of Americans for Financial Reform**. "We strongly urge major improvements in the final rule. The serious and widespread economic pain caused by the failures of our financial system, and the growing expressions of public outrage – with more and more people taking to the streets –help make it clear how important it is to get this right," she added.*

Volcker Rule Gaps May Leave Banks Uncertain About Trading Bans
Clea Benson, Meera Louis and James Sterngold (Bloomberg)
October 12, 2011

*"More than a year after they began crafting the Dodd-Frank Act's ban on proprietary trading by U.S. banks, regulators published the so-called Volcker rule while acknowledging that hundreds of questions remain unanswered. The proposed rule, written by four regulatory agencies and issued for public comment yesterday, would ban banks from trading for their own accounts. Banks would be allowed to make short-term trades for hedging or market-making while facing limits on investments in hedge funds and private equity funds. … 'What you see over and over in this rule is a good principle in concept, and a step toward executing that principle,' said **Marcus Stanley**, **policy director at Americans for Financial Reform**, a coalition of consumer groups. 'And then they won't close the loop by being clear about, 'You cannot do this.'… **Stanley**,*

of Americans for Financial Reform, said the proposal could have helped mitigate the financial system's meltdown if it had been in place prior to 2008. 'Certainly there are parts of this rule that would have given regulators the power to crack down on things that were happening before the crisis,' Stanley said. 'But they're also so vague that they wouldn't have forced the regulators to act.'"

U.S. reveals Volcker rule's murky ban on Wall St bets
Dave Clarke and Alexandra Alper (Reuters)
October 11, 2011

*"U.S. regulators unveiled a ban on Wall Street banks' trading for their own profit, but the long-awaited Volcker rule proposal was so complex that banks blasted it as unworkable and consumer groups dismissed it as too weak. On the other side of the issue, the consumer coalition **Americans for Financial Reform** said regulators warped a simple ban into a weak crackdown that is weighted toward preserving banks' flexibility. 'Unfortunately, the proposal issued today falls well short of what the Volcker Rule could and should achieve,' AFR said." Click here for more.*

Regulators Advance Volcker Rule
Ben Protess (DealBook/NYT)
October 11, 2011

*"Federal regulators on Tuesday took a much-anticipated step toward reining in risky trading on Wall Street, introducing a proposal that would prohibit federally insured banks from making certain types of bets with their own money. … 'Unfortunately, this initial proposal does not deliver on the promise of the Volcker Rule or the requirements of the statute,' said **Marcus Stanley**, **policy director of American for Financial Reform**, an advocacy group. … 'The vagueness of the proposal, and the hundreds of questions it includes, also demonstrate that we are still in the middle of this process,' said Mr. Stanley. 'It's important to use this opportunity to strengthen the rule – and to prevent Wall Street lobbyists from weakening it still further.'" Click here for more.*

Regulators release plan for Volcker Rule limits on bank trading
Brady Dennis (Washington Post)
October 11, 2011

*"Federal regulators unveiled a 298-page draft Tuesday outlining new rules to prevent big banks from trading for their benefit rather than on behalf of customers, nearly two years after the Obama administration endorsed such a measure. … The current proposal 'is too weighted toward preserving bank freedom of action, rather than creating the changes in bank practice and culture required by the statute,' **Lisa Donner, executive director of Americans for Financial Reform**, said in a statement. 'We strongly urge major improvements in the final rule. The serious and widespread economic pain caused by the failures of our financial system, and the growing expressions of public outrage — with more and more people taking to the streets — help make it clear how important it is to get this right.'" Click here for more.*

Behind Scenes, Battle for Face Time As Regulators Craft Rule's Wording
Jean Eaglesham and Victoria McGrane (WSJ – subscription required)
October 12, 2011

*"Tuesday's announcement of the proposed Volcker rule came after months of meetings and letter-writing aimed at U.S. regulators. Now comes yet another burst of arm-twisting before the final rule is announced next year. Based on letter writing, Wall Street's foes have a big advantage. But when it comes to face time, no one can top Wall Street. More than 7,800 members of the public sent comments to regulators writing the rule, according to Kimberly Krawiec, a law professor at Duke University in Durham, N.C. About 7,300 comments used similar wording based on a template created by public-interest groups. In contrast, financial firms and groups tied to Wall Street submitted just 60 comment letters about the Volcker rule. Wall Street's biggest trade group, the Securities Industry and Financial Markets Association, gave regulators about 19,500 words, prepared with help from law firm Davis Polk & Wardwell LLP. … On Tuesday, regulators announced a new comment period that ends Jan. 13. The comment period is likely to lead to another round of outside pressure, especially on more than 300 questions for which regulators are seeking public input. 'One thing we do have going for us in this fight is that the public are on our side,' said **Marcus Stanley**, **policy director of public-interest group Americans for Financial Reform,** referring to polls that show most Americans want tougher rules for Wall Street." Click here for more.*

Dodd-Frank Financial Regs Spark Positioning for 2012
Stacy Kaper (National Journal Daily AM – subscription required)
October 11, 2011

*"The debate over the Dodd-Frank financial-reform law reignited on Tuesday as federal regulators proposed steps to tighten rules on big banks and other financial institutions, a fight that will resonate in this election cycle. Reform advocates feared that regulators were weakening efforts by Sens. Carl Levin, D-Mich., and Jeff Merkley, D-Ore., who fought to include the Volcker rule in Dodd-Frank. Critics said that the proposals appeared to expand loopholes that could allow banks to justify proprietary trades by taking advantage of wide latitude in defining permissible hedging activities. 'This is just too weighted toward preserving bank freedom of action and limiting the reach of the proprietary ban rather than creating the changes in bank culture and the changes in practice that are clearly desired in the statute,' said **Marcus Stanley, the policy director for Americans for Financial Reform**."*

Regulators issue proposal on Volcker Rule
Jim Kim (Fierce Finance)
October 11, 2011

*"So what should we make of the Federal Reserve's long-awaited proposed Volcker Rule, among the most controversial aspects of Dodd-Frank? **Americans for Financial Reform**, for example, said: 'The experience of the past decade shows that for the rule to work (the) exemptions must be tightly controlled and carefully circumscribed. But in this proposed rule the exceptions to the proprietary trading ban are outlined in a broad and general way that leaves enormous scope for discretion by both banks and regulators. There is significant emphasis on bank self-regulation and few clear 'bright lines' for either regulators or bank managers to rely on. In addition, the proposed rule also adds major new exemptions not included in the statute.'" Click here for more.*

Volcker Rule Is Out, How Much Will It Hurt?
Halah Touryalai (Forbes)
October 12, 2011

"An official draft of a rule that prohibits banks from the profitable business of trading with their own money was released this week and it's leaving both banks and their critics unsatisfied. … Americans for Financial Reform, a group of more than 250 national and state organizations trying to ensure that financial rules are not watered down, says the proposed Volcker Rule doesn't go far enough to keep banks from taking on too much risk. The group says that the exemptions in the rule are too broad and leaves room too much room for banks to act on their own discretion." Click here for more.

Why You Should Care About the Volcker Rule
Bruce Watson (Daily Finance)
October 13, 2011

*"'Kiss the dice, baby. Gimme a little luck,' the banker whispers as he puts his money -- your money -- on the table. When the numbers come up, the chips go into his pile. When they don't ... well, some gamblers are just too big to fail. This week, the government took a big first step toward shutting down the Can't Lose Room in the Wall Street Casino. The Volcker Rule, a proposal to limit the kinds of risky investments that banks can make, went before four government agencies. On Tuesday, the FDIC unanimously approved the rule, the Federal Reserve backed it, and on Wednesday, the Securities and Exchange Commission followed suit. The final version of the rule is now up for public comment for 60 days. …**Americans for Financial Reform**, a coalition group working to enact Wall Street reform, argue that the rule, as written, 'leaves enormous scope for discretion by both banks and regulators.' The rule's vagueness and exceptions, they warn, "raise serious doubts about whether this framework will actually produce the significant changes in bank practices that we need."" Click here for more.*

Jamie Dimon on Volcker
Ben White (Politico's Morning Money)
October 14, 2011

***"**From JPMorgan's earnings call, forwarded to M.M. by a rival banker who nonetheless had one word for Dimon's comments: 'Amen.' Dimon: 'The United States has the best, deepest, widest, and most transparent capital markets in the world which give you, the investor, the ability to buy and sell large amounts at very* *cheap prices. That is a good thing. I wish Paul Volcker understood that. Okay? Now we understand why there is no proprietary trading. That was fine. And these are like -- I haven't read them all yet -- like 178 rules or reporting and compliance around what is proper market-making. We have to be in a position to do proper market-making for our clients. ... 'Most of our business is market-making. ... I hope all of you on this phone understand how important this is, not just for your own business but for future of the United States. And we hope at the end of the day we will be able to make markets freely. If American companies are put at huge disadvantage, the foreign companies -- this is just -- we were told everyone is going to adopt this, which we know is not true. So now it would be even a bigger deal.'"*

Volcker Rule draft gets little respect
Ira Teinowitz (The Deal)
October 10, 2011

*"Consumer groups and banking lawyers predict a long fight ahead as federal regulators get ready to unveil a plan to implement the Dodd-Frank Act's Volcker Rule ban against banks engaging in proprietary trading. They suggested Friday that the 390 questions posed by regulators in a leaked draft of the notice of proposed rulemaking and banking industry concerns about some elements could make the proposal more 'a work in progress' than a final rule and that lobbying on what gets into the final version could be intense. … **Marcus Stanley, policy director of Americans for Financial Reform**, a coalition of consumer and labor groups, said his group, too, is concerned about the lack of specifics about what's being banned. 'We are both looking at the same core problem. There are very few bright lines.' **Stanley** said his group is concerned that broad exemptions in the proposal for banks engaged in 'liquidity management' and 'securitization' and the lack of specifics could let banks engage in some of the same problematic practices that led to the Dodd-Frank law in the first place. The proposal 'is too weighted for preserving bank freedom, rather than creating the kinds of changes that are contemplated by the statute,' **he** said. **Stanle**y suggested the proposal in requiring a lot of documentation by banks without restraining banks' activities could be putting 'form above substance,' and **he** questioned whether it would have done much to prevent recent problems at UBS with a rogue trader." Click here for more.*

Exclusive: Congress Plans Hearings on Volcker Rule
Charlie Gasparino & Sital Patel (FOXBusiness)
October 12, 2011

"Congressional leaders plan to hold hearings on one of the more controversial parts of the Dodd-Frank financial reform known as the Volcker Rule that prevents the nation's big banks from practices that federal regulators say are dangerous -- but which have also generated enormous profits for Wall Street, the FOX Business Network has learned. The hearing is being planned by the House Financial Services committee and comes as the final drafts of the rule have been approved by federal regulators this week. Named after former Obama Administration economic adviser Paul Volcker, the rule generally bars banks from businesses like "proprietary trading" or using firm capital to trade securities, and vastly limits the amount of money banks can invest in hedge funds and in private equity accounts." Click here for more.

Commodity Speculation and Position Limits

Oil speculation seen adding $600 to your gas bill
Logan Burruss (CNNMoney)
October 13, 2011

*"Oil market speculation will cost U.S. households more than ever in 2011, a consumer group predicts, and the drain on household incomes will increase unless government rules to curb it are imposed. 'Speculation will add $600 to the average household expenditures on gasoline in 2011,' a report released Thursday by the **Consumer Federation of America** said, 'resulting in the highest level of spending ever of almost $2,900.' … 'When speculators, oil companies and OPEC rob consumers of that much spending power, the inevitable result is a dramatic reduction of economic activity and employment,' said CFA Director of Research Mark Cooper." Click here for more.*

Click here to view the full report entitled "Excessive Speculation and Oil Price Shock Recessions: A Case of Wall Street 'Déjà vu All Over Again'".

Markets are too volatile even for Cargill
Mike Hughlett (Star Tribune)
October 10, 2011

"Economic uncertainty and topsy-turvy commodity and financial markets contributed to a drop in profits. Global markets were so volatile this summer that Cargill Inc. -- a trading giant that often thrives on market gyrations -- kept money on the sidelines, a move that eased risk but contributed to a significant drop in quarterly profit. Minnetonka-based Cargill, one of the world's largest privately held companies, Monday reported fiscal first-quarter profits from continuing operations of $236 million -- a 66 percent decrease from the $693 million earned in the same period last year." Click here for more.

Economists urge G20 to curb commodity speculation
Caroline Henshaw (MarketWatch)
October 11, 2011

"Finance ministers for the world's richest nations faced renewed pressure to boost regulation of commodities markets Tuesday, re-igniting the debate over the role of speculators in pushing up prices at a time when they are exiting the sector faster than during the 2008 crash. In a letter to ministers of the Group of 20 industrialized nations, 450 economists from leading research institutions including Cambridge and Oxford universities called for measured to curb speculative investment in food markets, which they blame for pushing food prices to record highs this year." Click here for more.

New Anti Speculation Bill Introduced
Posted by Jackson Stone (Heatingoil.com)
October 7, 2011

*"New legislation has been unveiled in Congress in a bid to crack down on unchecked speculation in oil markets and help reduce oil prices. It comes as the Commodity Futures Trading Commission (CFTC) announces further delays in implementing long-awaited position limits that would clamp down on profiteering Wall Street traders. Rep Peter Walch (D-Vt) has introduced a new bill that would stipulate how much oil and other energy futures any one speculator could control. Under the Anti-Excessive Speculation Act of 2011, no single speculator could hold more than 5 percent of oil market contracts, greatly reducing the ability of speculators to manipulate prices. … Welch's bill has already gained the support of key consumer groups, including The **Americans for Financial Reform**, a coalition of more than 250 national and state organizations that support Wall Street reforms. The coalition includes heating oil dealers and petroleum marketers." Click here for more.*

International

S&P cuts Spain's sovereign debt rating
Miles Johnson in Madrid and Telis Demos in New York (FT – registration required)
October 14, 2011

"Spain has suffered a fresh downgrade of its national debt by Standard & Poor's because of concerns about sluggish economic growth and the continuing upheaval in its banking system." Click here for more.

Euro zone crisis dominates G20 Paris meeting
Francesca Landini and Daniel Flynn (Reuters)
October 14, 2011

"The euro zone debt crisis will dominate a summit of G20 finance chiefs and central bank heads in Paris, with a downgrade of Spain's credit rating highlighting the risk of a much larger economy than Greece coming under threat. French and German officials are trying to put flesh on the bones of a crisis resolution plan in time for a European Union summit on October 23 and parallel discussions are taking place on the need to give the International Monetary Fund more firepower." Click here for more.

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Foreclosures and Housing

Foreclosure notices rise in 3Q, but down from a year ago
Alex Veiga (AP)
October 13, 2011

"More U.S. homes are entering the foreclosure process, but they're taking longer to be sold or repossessed by lenders. The number of U.S. homes that received a first-time default notice during the July to September quarter increased 14% from the second quarter, RealtyTrac said Thursday." *Click here for more.*

Countrywide loan underwriter found herself in 'dangerous territory'
Mike Hudson (iWatchnews.org)
October 11, 2011

"After she lost her job in the fall of 2007, Cassandra Daniels had a word with a trio of her managers. As she recalls it, she told them she was praying that, someday, they'd learn to use their positions of power 'to uplift your staff instead of destroying people.' She cleaned out her desk and taped a handwritten sign to her computer screen, quoting one of her favorite gospel songs: 'GIANTS DO FALL.'" *Click here for more.*

Banks turn to demolition of foreclosed properties to ease housing-market pressures
Brady Dennis (Washington Post)
October 12, 2011

"Cleveland The sight of excavators tearing down vacant buildings has become common in this foreclosure-ravaged city, where the housing crisis hit early and hard. But the story behind the recent wave of demolitions is novel and cities around the country are taking notice. A handful of the nation's largest banks have begun giving away scores of properties that are abandoned or otherwise at risk of languishing indefinitely and further dragging down already depressed neighborhoods." *Click here for more.*

The Greenlining Institute - How the U.S. Government Promoted Segregation
Preeti Vissa (Huffington Post)
October 11, 2011

"As I wrote last time, a favorite right-wing talking point in recent years has been the claim that federal efforts to promote lending and investment in underserved communities, such as the Community Reinvestment Act, caused the subprime mortgage collapse and our ongoing recession. Not only is that nonsense, there's a crucial bit of history that the Rush Limbaughs and Neil Cavutos of this world leave out: For decades the federal government actively promoted redlining and racial segregation in housing. The CRA is, among many things, an attempt to balance the ugly results of policies that boosted white suburbs at the expense of urban neighborhoods populated by people of color." *Click here for more.*

Plan Floated to Spread Risk in Mortgage Bonds
Alan Zibel (WSJ – subscription required)
October 14, 2011

"The Obama administration and a federal housing regulator are considering a program to draw private investment back into the government-dominated mortgage market by having Fannie Mae and Freddie Mac sell slices of securities that wouldn't carry a federal guarantee but would pay a higher interest rate than current mortgage-backed bonds. No decisions have been made, but officials believe a small pilot program could be rolled out sometime next year, according to people familiar with the matter. Officials see it as a step toward reducing the $10.4 trillion U.S. mortgage market's dependence on government-controlled mortgage companies Fannie Mae and Freddie Mac." *Click here for more.*

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Executive Compensation

Most Wall Street Workers Say They Expect Same Or Higher Bonus As Last Year: Survey
Jillian Berman (Huffington Post)
October 10, 2011

"While most Americans aren't expecting their incomes to rise with the cost of living in the near future, more than 60 percent of Wall Street professionals say they anticipate their bonuses will be higher or the same as the bonus they earned in 2010, according to a recent survey. Sixty-two percent of Wall Street workers said they're expecting a bonus that's in line with last year's or higher, according to a survey from eFinancialCareers.com. And while still a firm majority, that's down from last year, when 71 percent of survey respondents said they expected the same or higher bonus than what they received in 2009. The decline in expectations is likely due to a drop in confidence in big bank employees. The survey found that 38 percent of big bank employees anticipate a drop in their bonuses from last year, compared with 36 percent that are expecting an increase." Click here for more.

Compensation Policy: CEO Severance Pay and the Cost of Failure
Nathaniel Parish Flannery (GMI)
October 07, 2011

"What is the price of failure? With 14 million Americans unemployed, more people are paying attention to CEO pay packages. The unemployment rate has been over 9% since April 2009, but CEOs continue to collect multi-million dollar payouts, even as their companies deliver lack-luster returns to shareholders. Even though many investors are frustrated with executive pay packages, firing CEOs can be an expensive option. For example, when executives at Hewlett-Packard, Bank of New York Mellon, Burger King and Yahoo were asked to step down this year, they walked away with severance packages that cost shareholders a combined $60 million. For instance, when Léo Apotheker stepped down as CEO at Hewlett-Packard, he walked away with $13.2 million in cash and stock severance." Click here for more.

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Student Lending

Loan defaults growing at 'for-profit' colleges
Carla Caldwell (Atlanta Business Chronicle)
October 10, 2011

"The number of 'for-profit' colleges is growing in Georgia and across the country and so is the number of student loans in default at those schools, reports Georgia Public Broadcasting. Federal officials say the overall national student loan default rate for all types of institutions is up to 8.8 percent in the past year, but it's nearly double—15 percent—for student loans at 'for-profit' schools, GPB reports." Click here for more.

Notes on the For-profit University Trough
Christopher R. Beha (Harper's Magazine)
October 9, 2011

"While researching my report on the country's largest for-profit university, the University of Phoenix ('Leveling the Field,' October 2011), I heard a common refrain from the school's educators and administrators: 'America can't reach Obama's educational goals without institutions like Phoenix.' By 'Obama's goals,' they meant the administration's aim to regain the global lead in educational attainment by 2020. About 40 percent of American adults have college degrees; Russia leads the world at 55 percent. Passing Russia within a decade would mean adding 40,000,000 new graduates to the U.S. system. Phoenix's representatives are almost certainly right that this goal can't be met without a robust for-profit education industry. If you accept the premise that maxing out educational attainment is the best way to rectify inequality, economic instability, and the vulnerability of America's poor, then you must more or less accept the importance of Phoenix and its 'proprietary' peers." Click here for more.

Undercover Student Tests A For-Profit College
NPR's Weekend Edition Sunday
October 9, 2011

"Lately, for-profit colleges like the University of Phoenix have been subject to scrutiny and new regulations for allegedly deceptive recruiting tactics and the high number of federal loan defaults among their students. Host Audie Cornish talks to Christopher Beha, who discreetly enrolled as a student at the University of Phoenix, and wrote about it in a piece in this month's issue of Harper's Magazine." Click here for more.

With Goldman's Foray Into Higher Education, A Predatory Pursuit of Students and Revenues
Chris Kirkham (Huffington Post)
October 14, 2011

"Education Management Corp. was already a swiftly growing player in the lucrative world of for-profit higher education, with annual revenues topping $1 billion, but it had its sights set on industry domination. So, five years ago, the Pittsburgh company's executives agreed to sell its portfolio of more than 70 colleges to a trio of investment partnerships for $3.4 billion, securing the needed capital for an aggressive national expansion. One of the new partners brought an outsized reputation for market savvy, deep pockets and a relentless pursuit of profits -- the Wall Street goliath, Goldman Sachs." Click here for more.

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FTT

AFR, Roots Action, National Nurses Union and more are circulating a petition demanding Congress consider a financial transaction tax - **SIGN THE PETITION! - Tax Wall Street.** We know where the money is. Tell Congress its time for Wall Street to start **Paying US Back!** A tiny tax on financial services can generate billions of dollars.

And please read our letter supporting financial transaction tax here. This letter will be sent to the members of the "Super Committee". CLICK HERE to sign on to the letter.

Pearlstein - Obama can learn from the Occupy Wall Street movement
Steven Pearlstein (Washington Post)
October 8, 2011

*"I wish it were true. I wish it were true that Occupy Wall Street could morph into our 'American spring,' a left-wing counterweight to the tea party. …Right now, the European Union is moving to impose a small tax (one-tenth of one percent) on all financial transactions as a way of raising money for bailouts and discouraging speculative, high-volume trading schemes that have turbo-charged market volatility and put extra pressure on banks and over-leveraged governments. For the idea to work, the Europeans need the United States and Britain to participate. This is actually an old idea, first proposed by John Maynard Keynes, revived by Nobel-prize winning economist James Tobin in the 1960s and defended in a 1989 paper by Harvard economists Lawrence and Victoria Summers. The Summers' basic conclusion was that while the transaction tax might reduce trading volume, it was the kind of trading volume that we could do without — the kind that was speculative and detracted from the overall health of the economy. They found there would be little negative impact on the cost of raising capital from long-term investors. But when the **financial-transaction tax** was proposed in the aftermath of the most recent financial crisis, Larry Summers had a change of heart. The new director of Obama's National Economic Council concluded that financial markets had changed so much in the past two decades that the tax was unlikely to be effective and could wind up destabilizing markets even further. The administration has opposed them ever since." Click here for more.*

G20 discuss transaction tax, little hope of progress
Reuters
October 14, 2011

"G20 officials are discussing the merits of a financial transactions tax on banks, sources at the Paris meeting said on Friday, but no progress was expected given the wide array of opponents to the plan." Click here for more.

Germany Ready To Implement Its Own Financial Transaction Tax
Nick Jardine (Business Insider)
October 14, 2011

*"If the whole of Europe won't get on board with a financial transaction tax, then Germany will go it alone, reports The Local. Finance minister, **Wolfgang Schauble** has said that the country will try and implement its own tax if the rest of Europe will not follow suit." Click here for more.*

Briefing on Financial Transaction Taxes

Friday, October 21st 10:30am

Presented by: **Americans for Financial Reform,** AFL-CIO *and* The Center for Media and Democracy

RSVP to erin@ourfinancialsecurity.org

A small tax on financial transactions would raise tens of billions of dollars a year and curb dangerous high speed trading. Support for a transaction tax is growing in the US and around the world. The European Union recently proposed a tax of 10 cents per $100 of securities transactions, and 10 cents per $1,000 of derivatives transactions. France and Germany have already endorsed this proposal. The European Union forecasts that this tiny tax will raise some $70 billion annually.

Find out more about this approach to raising revenues and stopping destabilizing and unproductive financial speculation at this upcoming briefing on the financial transaction tax.

Featuring…

John Fullerton – Former Managing Director, J.P. Morgan Co.
Damon Silvers – Associate General Counsel, AFL-CIO
Dean Baker – Co-Director, Center for Economic and Policy Research
A representative from the EU will also be present to discuss the details of the EU financial transaction tax proposal.

Location TBA

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Interchange

Durbin Amendment: Nothing is Ever Over
Ben White (Politico's Morning Money)
October 13, 2011

"**Consumer Bankers Association President Richard Hunt emails M.M. on legislation in the House to repeal the Durbin amendment limiting debit card swipe fees: 'Banks never even thought to charge for use of debit cards until Durbin passed. President Obama's and Sen. Durbin's home-state paper (Chicago Tribune) got it right: Consumer's lose with Durbin fees. Still waiting for the President to incorporate the yet to be distributed $8 billion retailer's rebate to consumers into an economic relief package.'* ***RETAIL RESPONDS *- From Retail Industry Leaders Assoc. letter to House Speaker John Boehner: '[W]e urge you to reject legislation by Representatives Jason Chaffetz and Bill Owens that would gut much needed reforms to debit card swipe* *fees. ... Repealing this important new law would send a message that Congress cares more about providing a windfall to Wall Street banks rather than keeping the doors open for millions of Main Street merchants.' Full letter: http://politi.co/q1fXSq"*

House Democrats Ask Justice Department to Probe Debit Fees
Phil Mattingly (Bloomberg News)
October 14, 2011

"Five House Democrats asked Attorney General Eric Holder to investigate whether U.S. banks and their trade groups colluded on decisions to impose new fees in response to caps on what they can charge for using debit cards. 'Statements made by individual banks and their trade associations raise questions about whether some price increases that have occurred this year have actually been coordinated,' Representative Peter Welch, a Vermont Democrat, wrote in a letter sent to Holder today. Representatives John Conyers of Michigan, Raul Grijalva of Arizona, Keith Ellison of Minnesota and Mike Honda of California also signed the letter. Click here for more.

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Credit Ratings Agencies

Reforms aim to improve transparency of rating
Kara Scannel (FT – registration required)
October 13, 2011

*"Credit rating agencies, the poster children of the financial crisis, face a litany of new regulations under reforms enacted by US lawmakers to make their ratings more transparent, improve accountability and address conflicts of interests. Under the rules, most of which have not been finalised, agencies will be required to make ratings more transparent by disclosing information about the assumptions underlying their methodology on a rating-by-rating basis. They will also need to be more accountable and create policies regarding their processes that must be certified by the firm's chief executive. …Nonetheless, **Consumer Federation of America** and **Americans for Financial Reform**, the investor groups, said in a letter to the SEC that the new proposals 'offer little hope of making significant progress on addressing the deep-rooted problems with credit ratings that were revealed by the financial crisis.' Their complaint is that a core conflict of interest will not be addressed: credit rating firms are still paid by the companies whose debt or investment products they rate. Lawmakers who studied the root causes of the financial crisis alleged firms inflated ratings on mortgage-related products and altered their methodologies to win business. The issue is controversial because the three biggest ratings firms – Moody's, Standard & Poor's and Fitch – operate under this model." Click here for more.*

Click here to view excerpts or for replay instructions from AFR's conference call with reporters on September 1, 2011 on credit ratings agencies with Senator Al Franken, CFA's Barbara Roper, and Eric Kolchinsky (former Managing Director of the Moody's business line responsible for rating collateralized debt obligations backed by subprime mortgages).

OTHER

Wall Street Sees 'No Exit' From Financial Woes
Max Abelson (Bloomberg)
October 12, 2011

"Wall Street executives, facing demonstrators camped for a fourth week in New York's financial district, say they're anxious and angry for other reasons. An era of decline and disappointment for bankers may not end for years, according to interviews with more than two dozen executives and investors. Blaming government interference and persecution, they say there isn't enough global stability, leverage or risk appetite to triumph in the current slump." Click here for more.

An Ugly Forecast That's Been Right Before
Jeff Sommer (NYT)
October 8, 2011

"Let's face it: economic forecasting is an act of sheer hubris. Which, of course, only incites people to do it. The stock market offers its predictions, and, occasionally, it's even right. As the economist Paul Samuelson once put it: 'The stock market has called nine of the last five recessions.' Economists have an even worse record, particularly when it comes to predicting downturns. In 1929, for instance, the Harvard Economic Society declared that a depression was 'outside the range of probability.' Whoops. … But at least one organization with an exceptionally good track record says another recession may already be here. That is the Economic Cycle Research Institute, a private forecasting firm based in Manhattan. It was founded by Geoffrey H. Moore, an economist who helped originate the practice of using leading indicators to predict business cycles. Mr. Moore died in 2000, but the team he trained is still at work. Relying on a series of proprietary indexes, the institute correctly predicted the beginning and the end of the last recession. Over the last 15 years, it has gotten all of its recession calls right, while issuing no false alarms. That's why it's worth paying attention to its current forecast. It's chilling: as bad as the economy has been, it's about to get worse." Click here for more.

Taxing Millionaires Casts Obama's Democrats as Class 'Warriors'
Mike Dorning (Bloomberg)
October 10, 2011

"Democrats have turned to an agenda that Republicans are calling class warfare, as President Barack Obama presses a 'Buffett Rule' to tax the rich, Senate Democrats offer a millionaires' tax instead and party leaders fulminate against Bank of America's $5 debit-card service fee. … Senator Dick Durbin, an Illinois Democrat who was one of Obama's early supporters, cites public frustration with growing disparities between the wealthy and working class. 'What you hear being expressed in many places -- on the floor of the Senate, in the House, even in the streets -- is this pent-up anger over the inequality of income in this country and the difficulties working families face,' said Durbin, second-ranking Democratic leader in the Senate. 'It's a cumulative impact this economy has had on working families: They are falling farther and farther behind.'" Click here for more.

Between the Lines, Wall St. Banks Face a Deficit of Trust
Jesse Eisinger (DealBook/NYT)
October 12, 2011

"Morgan Stanley has much more capital and lower leverage than it did at the height of the financial crisis, which I like to think of as 9/08. It has almost $60 billion in common equity, compared with $36 billion before September 2008, and its ratios are stronger. Its trading book — which is volatile and where any bank can take sudden, large losses — is smaller than it was. Morgan Stanley has more long-term debt and higher deposits, both of which stabilize its finances. The bank has more cash available in case there's a crunch and a smaller amount of Level III assets, which don't have an independently verifiable value and so must be estimated by the bank. Hedge funds have parked a smaller amount of assets at Morgan Stanley. That's good because in the financial crisis, they pulled them from the bank. Yes, Morgan Stanley by any measure is a safe and solid investment bank. Except for one: The amount of trust people have in the whole financial and political system. It's just about zero." Click here for more.

Inside the Fed Fight Over Bond Buys
Luca Di Leo and Jon Hilsenrath
October 13, 2011

"Federal Reserve officials weighed several options for boosting the economy when they met in September and could revisit those measures—including more bond purchases—if the recovery continues to flounder. Minutes of the Sept. 20-21 meeting of the policymaking Federal Open Market Committee, released Wednesday after the customary lag, showed officials had conversations—in which they disagreed often—about what to do next." Click here for more.

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Upcoming Events

From Americans for Financial Reform:

“Independent Consumer Regulator Or Unaccountable Agency?”

Prominent Academic Experts Discuss the Powers, Checks and Balances and Structure of the Consumer Financial Protection Bureau (CFPB)

Tuesday, October 18, 2 pm – 3:30 pm
Senate Banking Committee Hearing Room, Dirksen 538
RSVP to erin@ourfinancialsecurity.org

Featuring an academic discussion of a working paper “The Financial Services Industry’s Misguided Quest to Undermine the Consumer Financial Protection Bureau,” by Arthur E. Wilmarth, Jr.

Presenter: Art Wilmarth -- Professor of Law, The George Washington University Law School. Most recently, Professor Wilmarth has been a consultant to the Financial Crisis Inquiry Commission and is co-editor of *The Panic of 2008: Causes, Consequences and Implications for Reform* (with Larry Mitchell, 2010).His most recent article is "The Dodd-Frank Act's Expansion of State Authority to Protect Consumers of Financial Services," published in Volume 36, Issue 4, of the Journal of Corporation Law.

Respondents:

Richard Pierce – The Lyle T. Alverson Professor of Law at George Washington University. Professor Pierce has written over 20 books and over 120 articles on administrative law and government regulation.

Heidi Mandanis Schooner -- Professor of Law, Columbus School of Law of the Catholic University of America. Most recently, Professor Schooner is co-author of a new textbook on international bank regulation: *Global Bank Regulation: Principles and Policies* (with Michael W. Taylor, 2010).

Open to the public. Please RSVP to erin@ourfinancialsecurity.org

Co-sponsored by the Consumer Federation of America and U.S. PIRG

AFR appreciates the assistance of the Senate Banking Committee in coordinating this event.

Briefing on Financial Transaction Taxes

Friday, October 21st 10:30am

Presented by: Americans for Financial Reform, AFL-CIO *and* The Center for Media and Democracy

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A small tax on financial transactions would raise tens of billions of dollars a year and curb dangerous high speed trading. Support for a transaction tax is growing in the US and around the world. The European Union recently proposed a tax of 10 cents per $100 of securities transactions, and 10 cents per $1,000 of derivatives transactions. France and Germany have already endorsed this proposal. The European Union forecasts that this tiny tax will raise some $70 billion annually.

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Featuring…

John Fullerton – Former Managing Director, J.P. Morgan Co.
Damon Silvers – Associate General Counsel, AFL-CIO
Dean Baker – Co-Director, Center for Economic and Policy Research

A representative from the EU will also be present to discuss the details of the EU financial transaction tax proposal.

Location TBA

From The New Bottom Line: Schedule of Direct Actions Demanding that Wall Street "Pay US Back"

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.

From the Institute for Agriculture and Trade Policy:

Join us for a Webinar on October 25

Commodity price volatility driven by financial institution speculation continues to increase raw materials costs for businesses and the cost of consumer goods, particularly food and energy. U.S. commodity regulators are scheduled to vote on October 18 on an important rule to limit control of commodity contracts by financial speculators. European Union legislation affecting commodity markets, particularly "dark market" practices, is scheduled for release on October 20. Both U.S. and EU regulation of commodity markets is supposed to be consistent with Group of 20 finance minister recommendations on regulating commodity price volatility. The next G-20 recommendations will be issued on October 15.

This webinar explores some major features of the G-20 recommendations, the U.S. regulation, and the EU legislation, particularly the status of new rules on position limits and High Frequency Trading that have the potential to reduce volatility and price distortions. Speakers will also discuss efforts to improve the transparency of unregulated markets, which are currently nearly seven times as large as the regulated market.

Presenters:
Steve Suppan - Institute for Agriculture and Trade Policy
Markus Henn - Weltwirtschaft, Ökologie & Entwicklung / World Economy, Ecology & Development

Moderator:
Karen Hansen-Kuhn - Institute for Agriculture and Trade Policy
Title: Commodity price volatility: U.S. and EU regulatory battles
Date: Tuesday, October 25, 2011
Time: 12:00 PM - 1:00 PM CDT
After registering you will receive a confirmation email containing information about joining the Webinar.
System Requirements
PC-based attendees
Required: Windows® 7, Vista, XP or 2003 Server

Macintosh®-based attendees
Required: Mac OS® X 10.5 or newer

Space is limited.
Reserve your Webinar seat now at:
https://www2.gotomeeting.com/register/252265002

SEC

When: Monday, October 17 (1-5 p.m.)
What: **Roundtable on Microcap Securities**
See Press Release, Meeting Notice, Sunshine Act Notice
Where: SEC Headquarters
100 F Street, NE
Washington, DC 20549
Contact: Division of Enforcement, 202-551-6607

When: Tuesday, October 18 (12:30 p.m. - 5:15 p.m.)
What: **Roundtable on Conflict Minerals**
See Press Release, Notice, Sunshine Act Notice
Where: SEC Headquarters
100 F Street, NE
Washington, DC 20549
Contact: Division of Corporation Finance, 202-551-3430

The Securities and Exchange Commission Advisory Committee on Small and Emerging Companies today announced that it will hold its first meeting on Monday, October 31.

The Commission established the advisory committee last month to provide a formal mechanism for it to receive advice and recommendations specifically related to privately held small businesses and smaller publicly traded companies.

The meeting will begin at 9 a.m. at the SEC's headquarters at 100 F Street, N.E., Washington, D.C. The event is open to the public, with seating on a first-come, first-served basis. It also will be webcast live on the SEC's website, www.sec.gov, and will be archived on the website for later viewing.

The full agenda for the meeting will be released before the meeting date.

More information about the SEC Advisory Committee on Small and Emerging Companies is available at http://www.sec.gov/info/smallbus/acsec.shtml.

CFTC

Open Meeting on Two Final Rules and One Proposed Amendment

The Commodity Futures Trading Commission (CFTC) will hold a public meeting to consider two final rules and one proposed amendment under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The Commission will take up the following:

– Final Rule on Derivatives Clearing Organization General Provisions and Core Principles;
– Final Rule on Position Limits for Futures and Swaps; and
– Consider a Notice of Proposed Amendment to Effective Date for Swap Regulation.

When: Tuesday, October 18, 2011, 9:30 a.m.
Where: CFTC's Hearing Room, 1155 21st, NW, Washington DC

Topic: Commission meeting to consider two final rules and one proposed amendment under the Dodd-Frank Wall Street Reform and Consumer Protection Act

Viewing/Listening Information: Watch a live broadcast of the meeting via webcast on www.cftc.gov. Call-in to a toll-free or toll-telephone line to connect to a live audio feed. Call-in participants should be prepared to provide their first name, last name and affiliation. Conference call information is listed below:

US Toll-Free: 866-844-9416

International Toll: International Numbers

Passcode: CFTC

Capitol Hill

The House is in recess.

Senate

Senate Banking, Housing, and Urban Affairs Committee

October 20th The G20 and Global Economic and Financial Risks
538 Dirksen Senate Office Building
2:00 PM - 4:00 PM

October 19th Market Microstructure: Examination of Exchange-Traded Funds (ETFs).
538 Dirksen Senate Office Building
9:30 AM - 11:30 AM

Senate Committee on Finance

No pertinent markups/hearings scheduled as of 10/14/11

Senate Permanent Subcommittee on Investigations

HEARING RESCHEDULED TO NOVEMBER 3rd * Excessive Speculation and Compliance with the Dodd-Frank Act**

Permanent Subcommittee on Investigations - Watch this hearing live!

Thursday, October 6, 2011
09:30 AM
Dirksen Senate Office Building, room SD-342

In light of the CFTC announcement that it will be voting on a final rule on October 18, the Permanent Subcommittee on Investigations' hearing, "Excessive Speculation and Compliance with the Dodd-Frank Act," scheduled for Thursday, October 6, 2011, has been RESCHEDULED TO THURSDAY, NOVEMBER 3RD at 9:00 a.m. in SD-342.

The Subcommittee plans to hold a hearing on speculation in the commodities markets and implementation of the Dodd-Frank Act's provisions on speculative position limits for futures, options, and swap contracts for oil and other commodities. Hearing witnesses will include a panel of experts and the Chairman of the Commodity Futures Trading Commission. A final witness list will be available Tuesday, November 1, 2011.

Senate Committee on Agriculture, Nutrition, and Forestry

No pertinent markups/hearings scheduled as of 10/14/11

From Public Citizen:

Public Citizen is celebrating its 40th Anniversary this year. Please join us! Many of our achievements were possible only through partnerships with you.

Helping us commemorate this milestone will be iconic journalist Bill Moyers and Public Citizen founders Ralph Nader, Dr. Sidney Wolfe, Alan Morrison and Joan Claybrook.

If you can be in DC we hope you will join us. You can honor Public Citizen's past, present and future by:
• Purchasing tickets to our 40th Anniversary Gala
• Placing a Congratulatory Message in the Gala program
• Sponsoring Public Citizen's 40th Anniversary Gala

Visit www.citizen.org/40th-anniversary-gala to join the celebration!

I hope to see you at our 40th Anniversary Gala in Washington, D.C., on October 20.

P.S. Click here to learn more about the variety of ways you can be part of Public Citizen's 40th Anniversary Gala.

From Empowering and Strengthening Ohio's People (ESOP):

What: 18th Annual Gala.

Date: October 20, 2011

Time: 5:00 - 8:00 p.m.

Location: Cleveland Marriott Downtown at Key Center, 127 Public Square, Cleveland, OH 44114

esop-cleveland.org
216-361-0718

Richard Cordray sits at the center of one of the biggest standoffs in Washington.

As the Presidential nominee for Director of the Consumer Financial Protection Bureau Corday faces opposition from Senators who vow not to approve anyone for the post. Meanwhile the White House and financial reform advocates press for his confirmation.

During his keynote speech Cordray will address to the importance of the CFPB in protecting American consumers, the role of the Bureau will take in regulating mortgage lenders and servicers, and his perspective on the foreclosure crisis. (Note: Not all answers will be in the form of a question.)

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.