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## AMERICANS FOR FINANCIAL REFORM

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### THIS WEEK IN WALL STREET REFORM JULY 26 – AUGUST 1, 2014

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#### CONSUMER FINANCE AND CFPB

##### [Banks Face Hit from CFPB on \\$30 Billion in Overdraft Fees](#)

**Carter Dougherty, Bloomberg, 8/1/14**

"The \$30 billion banks collect in overdraft fees each year may shrink as the U.S. Consumer Financial Protection Bureau imposes rules aimed at shielding customers from harm. The agency, which issued a [study](#) on the fees yesterday, is also weighing regulations to improve consumer awareness of overdraft costs and restrict how banks can debit transactions and impose fees, according to a senior agency official...

"Citing the report, Cordray said at the same briefing that 'in lending terms,' a person who swiped a debit card, overdrew a checking account by \$24, and covered it with a deposit three days later would pay a median overdraft fee of \$34. That's the equivalent of loan with an annual rate of 17,000 percent, Cordray said."

##### [Debit Overdraft Fees Often Exceed Cost of Purchase](#)

**Josh Boak, Associated Press, 7/31/14**

##### [Regulators Still Find Problems in Overdraft Fees](#)

**Michael Corkery, New York Times, 7/31/14**

##### [Payments Puzzle Persists at Banks](#)

**Robin Sidel, Wall Street Journal, 7/28/14**

"In high-to-low processing, banks deduct the day's largest withdrawal before they deduct smaller ones, depleting the account balance faster. That makes it more likely that multiple transactions will bounce, which in turn triggers overdraft fees... Giant banks such as Bank of America Corp. and Wells Fargo & Co. have moved away from high-to-low processing in the past year as regulators stepped up criticism..."

"Yet many small and regional banks still engage in the process, from Regions Financial Corp., based in Birmingham, Ala., which has 1,700 branches, to WesBanco Inc., a Wheeling, W.Va., bank with about 100 branches, according to the Moebis survey. In all, 430 banks in the survey process on a high-to-low basis, and 275 of them had less than \$1 billion in assets."

### [\*\*A Third of Consumers with Credit Files Had Debts in Collections Last Year\*\*](#)

**Jonnelle Marte, Washington Post, 7/29/14**

“About 77 million Americans have a debt in collections, a new report finds. That amounts to 35 percent of consumers with credit files or data reported to a major credit bureau, according to the study released Tuesday by the [Urban Institute](#) and Encore Capital Group's Consumer Credit Research Institute.

“It's a stunning number,’ said Caroline Ratcliffe, senior fellow at the Urban Institute and author of the report. ‘And it threads through nearly all communities...”

### [\*\*When Debt Collector Robocalls Illegally Hijack Your Cell Phone\*\*](#)

**ABC News, 7/29/14**

### [\*\*How FDIC's Withdrawal of 'Hit List' Affects Operation Choke Point\*\*](#)

**Rob Blackwell, American Banker, 7/28/14**

### [\*\*Republicans Demand Consumer Regulator's Documents in Wake of Supreme Court Case\*\*](#)

**Alan Zibel, Wall Street Journal, 7/30/14**

“Republicans on Capitol Hill are demanding that a U.S. consumer-finance regulator produce a comprehensive list of actions that could be vulnerable to a legal challenge in the wake of a Supreme Court ruling on recess appointments last month...”

### [\*\*The Hidden Messages in the CFPB's Complaint Database\*\*](#)

**Rachel Witkowski, American Banker, 7/29/14**

“An in-depth look by the Consumer Financial Protection Bureau into its consumer complaint database has yielded some surprising insights, including a relative lack of grievances against payday lenders...”

“The agency issued a study of complaints last week that found mortgages, debt collection and credit cards accounted for 68% of the 395,000 complaints the CFPB received prior to June 30. [Payday loan complaints] made up just 1% of overall complaints.”

### [\*\*Popular Prepaid Money Card Opens Path to Fraud\*\*](#)

**Matthew Goldstein, New York Times, 7/31/14**

“Thousands of consumers have been lured into sending money through the card, called MoneyPak. For online fraudsters, the green-and-white paper card that can be used to quickly “reload,” or transfer, hundreds of dollars in cash onto another prepaid card is often the money conduit of choice, regulators and law enforcement officials say.”

### [\*\*Soldiers Get \\$92M In Debt Relief Under Settlement\*\*](#)

**Associated Press, 7/30/14**

“Deceptive practices by Rome Finance Co., more recently doing business as Colfax Capital Corp. and Culver Capital LLC, based in California and Georgia, included failing to accurately disclose charges and interest rates, New York's Attorney General Eric Schneiderman said Tuesday. Authorities also alleged the lenders helped retailers inflate prices, with repayments taken from soldiers' paychecks.

“Authorities say military personnel will keep financed merchandise like computers and gaming systems with debt forgiven, including \$2.2 million for more than 550 New York residents. The federal Consumer Financial Protection Bureau also investigated. The states involved are Colorado, Delaware, Florida, Georgia, Kentucky, Indiana, Iowa, Massachusetts, Michigan, New York, North Carolina, Tennessee and Vermont.”

## **DERIVATIVES, COMMODITIES & THE CFTC**

### **Tim Massad: Tight Budget Holds Back CFTC**

**Zachary Warmbrodt, Politico, 7/31/14**

“We rely heavily on the industry to regulate itself,’ [CFTC Chair Timothy Massad] said. ‘We don’t have enough people to simply oversee many of the participants in this industry, we can’t get in there and review what they’re doing very often. We don’t have enough people to process the applications of swap dealers. The same people processing the applications of swap dealers are processing the applications for the swap execution facilities and they’re also overseeing the existing future markets we already have...”

### **Wall Street Faces New U.S. Scrutiny of Derivatives Tactic**

**Silla Brush, Bloomberg, 7/31/14**

“The regulator sent letters today to [JPMorgan Chase & Co. \(JPM\)](#), [Goldman Sachs Group Inc. \(GS\)](#), [Bank of America Corp.](#), [Citigroup Inc. \(C\)](#), and [Morgan Stanley \(MS\)](#) seeking further information about the practice of removing parent-company guarantees from overseas trades. An agency official who asked not to be named because the letters aren’t public confirmed that they were sent to the banks.

“U.S. banks have been relying on the de-guaranteeing process to trade derivatives with other dealers in a way that avoids curbs imposed by the Dodd-Frank Act on the \$700 trillion global market...”

### **CFTC Fines J.P. Morgan Securities \$650,000 for Inaccurate Reporting**

**Anna Prior, Wall Street Journal, 7/29/14**

### **CFTC Says Flexibility Vital to Oversee Cross-Border Swaps**

**Andrew Zajac and Silla Brush, Bloomberg, 7/31/14**

### **Banks Accused Of Rigging Silver Price**

**BBC News, 7/27/14**

### **Gold ETPs Halt Outflows as Buyers Return Amid Slump**

**Debarati Roy, Bloomberg, 7/31/14**

## **ENFORCEMENT**

### **Bank of America Raises Its Settlement Offer**

**Michael Corkery and Ben Protess, New York Times, 7/30/14**

“The bank was offering a total of \$13 billion, the people said, including \$4 billion in cash. The bank narrowed the gap on Wednesday, the people said, raising its cash offer to about \$7 billion and its total proposal to roughly \$14 billion.

“But the Justice Department, which has measured the success of its mortgage cases largely on the size of cash penalties, has balked at the offer. If a deal is not reached in the coming days, the Justice Department might announce a lawsuit against the bank.

“Underscoring how little leverage the bank has in fighting the Justice Department, Judge [Jed S. Rakoff](#) of the Federal District Court in Manhattan ordered Bank of America on Wednesday to pay a nearly \$1.3 billion penalty in another federal mortgage case. The ruling comes nine months after federal prosecutors persuaded a jury to find Bank of America liable for selling questionable loans to [Fannie Mae](#) and [Freddie Mac](#), the government-controlled mortgage finance giants, before the financial crisis. Bank of America refused to settle the case and went to trial, a roll of the dice that came back to haunt the bank and could now bleed into negotiations in Washington.”

**[Lloyds Bank to Pay Nearly \\$370 Million to Resolve Libor Investigations](#)**  
Chad Bray, New York Times, 7/28/14

**[Lloyds Attacked by Carney as Bank Hit With \\$383 Million Fine](#)**  
Richard Partington and Suzi Ring, Bloomberg, 7/28/14

**[The Lloyds Files: “Never Get Cross Wiv Yer Mate”](#)**  
Katie Martin, Wall Street Journal, 7/28/14

**[Ex-Irish Bankers Spared Jail May Scrub Graffiti Instead](#)**  
Joe Brennan, Bloomberg, 7/31/14

## EXECUTIVE COMPENSATION

**[U.K. Bank Bonuses Targeted by BOE in 7-Year Clawback Rule](#)**  
Jim Brunsten, Bloomberg, 6/30/14

“Senior bankers could be forced to pay back bonuses as long as seven years after they’re awarded under new Bank of England rules to curb short-term risk-taking. Banks operating in the U.K. should amend employee contracts so they can recoup bonus payments from workers who exceed their risk limits or break financial-conduct rules, the Bank of England said in a [statement](#) on its website today.”

## FINANCIAL TRANSACTION TAX & HIGH-FREQUENCY TRADING

**[UBS and Deutsche Bank Disclose New Inquiries Over ‘Dark Pools’](#)**  
Chad Bray, New York Times, 7/29/14

“On Tuesday, the Swiss bank [UBS](#) and [Deutsche Bank](#) of Germany became the latest banks to disclose that they were facing inquiries from regulators after Attorney General [Eric T. Schneiderman](#) of New York sued the British bank [Barclays](#) last month over its private stock trading platform, known as a dark pool.

“Mr. Schneiderman has accused Barclays of favoring high-frequency traders over other investors in its dark pool, known as Barclays LX. Barclays has asked that the lawsuit be dismissed, saying Mr. Schneiderman overstepped his authority.”

**[UBS, Deutsche Bank Cooperating in Trading Probe](#)**  
Elena Logutenkova, Bloomberg, 7/29/14

## INVESTOR PROTECTION

### [Be Wary of Advice to Do an IRA Rollover](#)

**Eleanor Laise, Kiplinger, August, 2014**

“Rollover money, financial-services firms may be trampling investors' best interests, according to regulators and consumer advocates. Both the Securities and Exchange Commission and the Financial Industry Regulatory Authority have made examining firms' rollover IRA sales practices a top priority for 2014. The moves follow a 2013 report from the U.S. Government Accountability Office finding that 401(k) participants 'are often subject to biased information and aggressive marketing of IRAs' when seeking help with their plans.

“Among regulators' top concerns: Rollover IRA sales pitches may persuade workers retiring or changing jobs to roll 401(k) money into higher-cost IRA investments. And investors may not recognize the conflicts of interest that can color rollover advice.

“IRAs are now the biggest repository of retirement savings, holding \$6.5 trillion, and rollovers added \$324 billion to these accounts in 2013, according to Cerulli Associates. Yet workers shifting from 401(k)s to IRAs are leaving highly regulated plans where employers must act in participants' best interests for a less-regulated market where brokers are generally not required to put investors' interests first. 'When you roll over into an IRA, you're absolutely in the Wild West,' says Anthony Webb, senior research economist at the Center for Retirement Research at Boston College.”

### [Whether 'Sophisticated' Clients of Wall Street Can Also Get Duped](#)

**Peter J. Henning, New York Times, 7/28/14**

“[Barclays](#) is relying on such a '[sophisticated client](#)' defense in response to a securities fraud complaint filed by Attorney General [Eric T. Schneiderman](#) of New York. Mr. Schneiderman says Barclays violated the state's Martin Act in marketing its so-called dark pool, when it claimed that high-frequency traders had only limited access to the bank's private trading venue. In [a motion to dismiss](#) the lawsuit filed last week, Barclays argued that 'highly sophisticated traders and asset managers responsible for investing millions or billions of dollars of assets' would not have been misled by the bank's 'glossy marketing brochures or quotes from magazine articles'...

“This is a common defense tactic in fraud claims based on broad statements that may not be entirely truthful. Firms argue that the statements were 'mere puffery' incapable of causing any harm. To prove a securities fraud claim, it must be shown that statements are material, which means a reasonable investor would rely on them. The argument is that marketing statements – sometimes also called sales talk – are not what most investors would consider important and therefore cannot be the basis for a fraud action.

“Wall Street firms love to talk about their commitment to clients, something that can come back to bite them. After [Goldman Sachs](#) paid \$550 million to settle S.E.C. charges that the bank misled investors who bought a [collateralized debt obligation](#) Goldman put together, investors sued the firm for making public statements like 'our clients' interests always come first' and 'integrity and honesty are at the heart of our business.' Judge Paul A. Crotty of Federal District Court in Manhattan rejected [Goldman's puffery defense](#) to discount its claims of ethical behavior, describing the firm's argument as 'Orwellian'.”

## [SEC Crowdfunding Barriers at South by Southwest](#)

**John Berlau, Forbes, 7/31/14**

“One panel, ‘How to Make the Crowd Go Wild,’ focused on ‘equity crowdfunding,’ the next stage of online financing from multiple parties. The discussion confirmed for me that the next logical step in crowdfunding is to allow fans to share in a crowdfunding project’s profits—in addition to receiving T-shirts as thank-you gifts.

‘Unfortunately, digital innovation keeps running into a brick wall from 1930s-era Securities and Exchange Commission (SEC) rules that treat a promise of a share of a business’s earnings a ‘securities offering.’ This would subject entrepreneurs making a simple pitch for funding movies or music to the panopoly of federal securities laws – including the behemoth Sarbanes-Oxley and Dodd-Frank laws – that publicly traded corporations must contend with every day at a cost of millions of dollars per year.”

## **MORTGAGES, FORECLOSURES & HOUSING**

### [Homeowner Program Faces Mounting Application Backlog](#)

**Joe Light, Wall Street Journal, 7/30/14**

“More than 221,000 applications to the Home Affordable Modification Program were waiting to be processed by mortgage servicers at the end of May, according to a government report scheduled for release Wednesday. That is up from a backlog of 133,649 unprocessed applications at the end of November...”

“‘We’re very concerned about this. Homeowners should not have to wait six months, 10 months or more than a year to get a decision,’ said Christy Romero, the TARP special inspector general. ‘The problem of delays is real and could have a disastrous impact on homeowners who are not able to keep up with their payments during this delay and lose their homes.’”

### [Banks’ Slowdown on Mortgage Aid Hurts Borrowers, Audit Says](#)

**Clea Benson, Bloomberg, 7/30/14**

“Lenders aren’t keeping pace with a mounting backlog of applications for federal mortgage aid, placing some borrowers at increasing risk of losing their homes to foreclosure, according to an auditor’s report.

“Servicers including **JPMorgan Chase & Co.**, and Ocwen Loan Servicing LLC are processing only a fraction of the applications they receive each month for the Home Affordable Modification Program, the Special Inspector General for the Troubled Asset Relief Program said today.

“‘Without a timely review of their eligibility to even get into a HAMP trial modification, struggling homeowners left in limbo hoping to get help from TARP’s HAMP program may not pursue other foreclosure alternatives and, with options narrowing over time, may be at risk for foreclosure,’ the report said.”

### [Million-Dollar U.S. Housing Loans Surge to Record Level](#)

**Alexis Leondis, Bloomberg, 7/29/14**

“Banks are handing out [mortgages](#) of as much as \$10 million to the wealthy in record numbers while first-time homebuyers struggle to get loans... The number of loans from \$1 million to \$10 million to buy single-family homes in the 100 largest metropolitan areas surged to more than 15,000 in the second quarter, the highest ever, according to property data firm CoreLogic.”

### [Mortgage-Bond Price Tumble Signals New Risks in Market](#)

**Jody Shenn, Bloomberg, 7/31/14**

## **REVOLVING DOOR & POLITICAL POWER OF WALL STREET**

### [Spending on Wall Street Lobbying at Record](#)

**Adrian Tawfik, Democracy Chronicles, 7/26/14**

### [Wall Street Spending \\$1.5M a Day on Lobbying, Campaigns](#)

**Reason24/7, 7/25/14**

### [Wall Street Spending \\$1.5 million a day on Federal Lobbying](#)

**Phil Ammann, SaintPetersBlog, 7/28/14**

### [Wall Street Money in Washington](#)

**Cliff Kule's Notes, 7/25/14**

## **STUDENT LOANS AND FOR-PROFIT SCHOOLS**

### [Sen. Elizabeth Warren Asks About Lack of Private Student Loan Relief Options](#)

**Video clip from Senate hearing, 7/31/14**

### [For-Profit Colleges Intensify Student Loan Crisis, Says Sen. Warren](#)

**Kirk Carapezza & Mikaela Johnson, WGBHnews.org, 7/31/14**

‘The for-profit colleges are both driving up the amount of student loan debt out there and they’re driving up the number of defaults,’ said U.S. Sen. Elizabeth Warren.

“Warren believes for-profit schools are loading up low-income students with debt that they can’t possibly repay. ‘When that happens the students get hurt, the taxpayers get hurt. But the colleges just keep on taking federal dollars with almost no consequences,’ Warren said in a telephone interview. ‘I was glad to see the Department of Education move on Corinthian and I hope this signals that they’re going to be tougher on the for-profit colleges.’”

### [Corinthian Colleges Must Disclose Financial Woes Under Agreement with California AG](#)

**Chris Kirkham, Los Angeles Times, 7/28/14**

### [Washington's War On For-Profit Colleges](#)

**Andrew F. Quinlan, Washington Times, 7/28/14**

“Measuring programs based solely on the economic performance of its graduates ignores the inherent selection bias in higher-education student populations. Public

universities are highly selective about who they allow to attend, but those denied acceptance by the public system are equally deserving of opportunities. In other words, the types of students enrolling at for-profit universities are typically of a lower economic status to begin with, and the perverse impact of the rule would be to encourage for-profit colleges to begin also refusing services to these students so as to satisfy government performance quotas.”

### **[How to Run a Business School Like the ‘Wolf of Wall Street’](#)**

**Natalie Kitroeff , BusinessWeek, 7/24/14**

“Minnesota Attorney General Lori Swanson [sued \[group of\] schools](#), saying they rely on ‘tactics reminiscent of sales boiler rooms’ in a no-holds-barred approach to boosting enrollment... Dozens of students named in the suit say that instead of a career, they were left with a pile of debt and a degree unlikely to lessen that load.”

### **[For-Profit Bridgepoint’s Business Practices Are Under Investigation](#)**

**Andy Thomason, Chronicle of Higher Education, 7/28/14**

“The Massachusetts attorney general’s office notified Bridgepoint on Monday that it would investigate whether the company had complied with the state’s consumer-protection laws... The U.S. Securities and Exchange Commission subpoenaed the company on Tuesday over its accounting practices, specifically relating to its intention to revise previous years’ financial statements.”

### **[Student Loan Repayment Scams: How To Avoid Being Ripped Off](#)**

**Herb Weisbaum, NBCnews.com, 7/28/14**

### **[For-Profit Colleges’ Alumni Often in Debt and Out of Work](#)**

**Nanette Asimov and Stephanie M. Lee, San Francisco Chronicle, 7/26/14**

### **[What Parents of Soon-to-Be College Students Need to Know About Credit Cards](#)**

**Reyna Gobel, Forbes, 7/29/14**

### **[For-Profit Colleges Still Cash In on Post-9/11 GI Bill, Harkin Reports Says](#)**

**Goldie Blumenstyk, Chronicle of Higher Education**

“Eight big for-profit-college companies received nearly a quarter of all the money spent on Post-9/11 GI Bill benefits in 2012-13, says a [report](#) released on Wednesday by Sen. Tom Harkin and the Senate education committee’s Democratic majority. And even as the for-profit colleges’ overall enrollments fell from 2009 to 2013, the document asserts, their enrollments of veterans ‘dramatically increased.’

“Since the start of the [benefits program](#), in 2009, the proportion of veterans enrolling in for-profit colleges climbed from 23 percent to 30 percent, while the proportion at public colleges dropped from 62 percent to 50 percent, the report says. The average cost of educating veterans at for-profit institutions is twice the price of educating them at public colleges, the report asserts. The \$1.7-billion in Post-9/11 GI Bill benefits that the eight companies received in 2012-13 was almost as much as the total cost of the program in 2009-10.”

### **[GI Bill Loophole Keeps 4 Major For-Profit Educators From Violating Law](#)**

**Aaron Glantz, Beta Cirle, 7/31/14**

“At issue is the so-called 90/10 rule, which prevents for-profit schools from receiving government funding if they draw more than 90 percent of their revenue from federal

student aid programs. The rule excludes tuition assistance from the GI Bill for veterans and from the Department of Defense, which funds education for active-duty military.

“[Senator Tom] Harkin’s report found that the University of Phoenix’s parent company, the Apollo Education Group; ITT Technical Institute; Strayer University; and Education Management Corp., which owns Argosy University, Brown Mackie College and the Art Institutes chain, would be at risk of losing all federal funding if the loophole were closed.”

### [Poor Rate of Return On For-Profit Universities](#)

**Bianca Marquez, Washington Center for Equitable Growth, 7/29/14**

## **SYSTEMIC RISK**

### [We Need to Rein in 'Too Big to Fail' Banks](#)

**Elizabeth Warren, John McCain, Maria Cantwell and Angus King, CNN.com, 7/17/14**

“Congress should not wait until the next crisis to address the ‘too big to fail’ problem. Nor should it wait any longer in the hopes that regulators will end this phenomenon themselves. It’s been four years since Congress passed, and rulemaking began on, the Dodd-Frank Act. The regulators have so far missed more than half of their statutory rule-making deadlines and many rules remain unwritten.

“Congress must step in. We owe the American people as much. The real cost of the financial crisis was borne, and is still being borne, by the men, women, families, small businesses, and communities in America -- American taxpayers. [A report by the Federal Reserve Bank of Dallas](#) estimated that the financial crisis cost us as much as \$14 trillion. That’s \$120,000 for every American household -- more than two years’ worth of income for the average family.”

### [GAO Releases Study on ‘Too Big to Fail’; Sees Diminished Subsidy for Biggest Banks](#)

**Jeff Bater, BNA, 7/31/14**

“The nation’s biggest banks had an edge over smaller rivals during the recent financial crisis but the advantage may have since eroded, a watchdog agency said in a long-awaited report that seemed to give more fuel to the debate over whether the behemoths have an advantage because of market perceptions the government will provide a bail out instead of allowing a failure that could topple the financial system.

The Government Accountability Office report presented at a Senate Banking subcommittee hearing on ‘too big to fail. Dueling sides in the argument each appeared to claim victory, with industry groups for big banks seizing on the language that the advantage “declined or reversed” and community banks declaring too big to fail still exists five years after the 2007-2009 crisis...

The group **Americans for Financial Reform** said it does not believe the GAO report should be read as evidence the too big to fail problem has been solved. ‘Regulators themselves have stated that the implementation of the Dodd-Frank resolution mechanism is not yet adequate to end the possibility of government support to large banks,’ the AFR statement said.”

**[Senators Sherrod Brown and David Vitter Discuss GAO Report](#)**  
**Bloomberg TV, 7/31/14**

See [AFR statement](#) on GAO report.

**[When Measuring Big Banks' Subsidy, First Count the Costs](#)**  
**Aaron Klein and Peter Ryan, American Banker, 7/28/14**

“Since the onset of the financial crisis, lawmakers and industry observers have debated the implicit funding subsidy that large financial institutions may receive because they are considered to be too big to fail. Over the last year, different groups have produced [widely divergent estimates](#) of the existence and size of any subsidy, joining a long list of academic work on the subject that has also failed to yield a consensus...

“When considered in the aggregate, it is not clear that the net effect of federal government intervention has been positive for large banks. Dodd-Frank imposed significant additional regulatory costs on the very largest institutions that also need to be considered. These costs may well equal, or even exceed, any funding benefits that these institutions might still derive from market perceptions of a government backstop. It is insufficient to simply focus on one side of the scale — the cost of private-sector funding — without examining the other side of a scale...

“Likewise, estimates of a funding advantage for large banks need to take into account the full measure of the post-Dodd-Frank legislative and regulatory response. Studies need to account for the impact of all the policy changes put in place after the crisis, as well as the regulatory regime that goes with them. With that broader view, hopefully the debate can shift back towards a conversation about the hard work of making financial reform more effective, boosting economic growth and protecting consumers.”

**[Big Banks and Treasury See Positive Signs in Report on Financial Industry](#)**  
**Peter Eavis, New York Times, 7/31/14**

**[Where ‘Too Big to Fail’ Debate Stands](#)**  
**Ryan Tracy, Wall Street Journal, 7/30/14**

“Answering that question is tougher than it sounds, as many government agencies, academics, and consultants have learned in their attempts to study the issue since Washington bailed out the banks to forestall economic calamity in 2008. Critics say big banks enjoy an implicit subsidy and lower funding costs by virtue of being so big that the U.S. would never allow them to fail. Defenders of big banks say any funding advantage is shrinking or has disappeared, and that higher regulatory costs negates any funding advantage.”

**[Ending ‘Too Big to Fail’ Could Rest on Obscure Contract Language](#)**  
**Jesse Hamilton and Silla Brush, Bloomberg, 7/30/14**

“[Wall Street](#) and global financial regulators, trying to squash the lingering perception that banks remain ‘[too big to fail](#),’ are looking to an obscure change in derivatives contracts to solve the problem.

“The main industry group for the \$700 trillion global swaps market is rewriting international protocols to impose a ‘stay’ or pause designed to prevent trading partners from calling in collateral all at once when a bank nears failure.”



### **The Cost of New Banking Regulation: \$70.2 Billion**

**Saabira Chaudhuri, Wall Street Journal, 7/30/14**

“New regulation stemming from the financial crisis has cost the six largest U.S. banks \$70.2 billion as of the end of last year, according to a new study...”

### **The Insurance Industry is Risky. Federal Regulation May Be the Answer**

**Peter Coy, Bloomberg BusinessWeek, 7/31/14**

“Insurance in the U.S. is a big deal that’s regulated like a small deal. Insurance premiums paid each year equal about 7 percent of the U.S. gross domestic product, and companies such as American International Group (AIG) and Prudential Financial (PRU) rank among the biggest financial institutions in the country. Yet oversight of them and other insurers is fragmented among 50 states. Instead of a well-financed Federal Deposit Insurance Corp., policyholders of insurance companies that fail have no safety net except 50 state guaranty associations.”

### **Regional Banks Push Congress to Amend ‘Systemically Important’ Tag**

**Victoria McGrane and Saabira Chaudhuri, Wall Street Journal, 7/31/14**

### **U.S. Financial Risk Council to Review Asset Management**

**Douwe Miedema, Reuters, 7/31/14**

## **OTHER TOPICS**

### **Why Can’t the Banking Industry Solve Its Ethics Problems?**

**Neil Irwin, New York Times, 7/29/14**

“Both a bank’s financial capital and its human capital are short-term propositions, Mr. Posner wrote, meaning both investors and employees can readily jump to a better opportunity at a moment’s notice. ‘Any firm that has short-term capital is under great pressure to compete ferociously, as it is in constant danger of losing its capital to fiercer, less scrupulous competitors, who can offer its investors and its key employees higher returns, he wrote.

“Such a business model attracts people who have a taste for risk and attach a very high utility to money. The complexity of modern finance, the greed and gullibility of individual financial consumers, and the difficulty that so many ordinary people have in understanding credit facilitate financial fraud, and financial sharp practices that fall short of fraud, enabling financial fraudsters to skirt criminal sanctions.’

“In other words, the ethical breaches that Mr. Carney and other regulators assail may just have deeper roots — and thus more elusive solutions — than anyone might like to see.”

### **Banks Cash In on Mergers Intended to Elude Taxes**

**Andrew Ross Sorkin, New York Times, 7/28/14**

“Investment banks are estimated to have collected, or will soon collect, nearly \$1 billion in fees over the last three years advising and persuading American companies to move the address of their headquarters abroad (without actually moving). With seven- and eight-figure fees up for grabs, Wall Street bankers — and lawyers, consultants and accountants — have been promoting such deals, known as inversions, to some of the biggest companies in the country, including the American drug giant [Pfizer](#)...”

“So far, on deals completed or pending, Goldman Sachs is estimated to have made \$203 million advising on inversion deals since 2011, according to data from the Deal Intelligence unit of [Thomson Reuters](#). JPMorgan stands to collect \$185 million, while [Morgan Stanley](#) will make \$98 million and [Citigroup](#) \$72 million...

“Perhaps most troubling, many Wall Street banks are aggressively promoting these transactions to major corporations, arguing that such deals need to be completed quickly before Washington tries to block them. The proposals by President Obama and Senator Levin, neither of which appear to be gaining traction, seek to prevent inversion deals retroactively.”

### **[New Legislation Targets Inversions From Different Angle](#)**

**David Gelles, New York Times, 7/29/14**

“Lawmakers in Washington ratcheted up the pressure on Tuesday on companies seeking tax relief by moving overseas, introducing a bill that would withhold government contracts from companies that undertake so-called inversion deals.

“The No Federal Contracts for Corporate Deserters Act – introduced by four Democrats, Senators Richard Durbin of Illinois and [Carl Levin](#) of Michigan, and Representatives Rosa DeLauro of Connecticut and Lloyd Doggett of Texas – seeks to discourage companies from reincorporating abroad by threatening to withhold federal dollars from the offending companies.”

### **[As Wall Street Enters the Post-Post-Crisis Era, Who’s Made the Adjustments?](#)**

**David Weidner, Wall Street Journal, 7/25/14**

“Some of the big Wall Street firms appear to have repositioned themselves for the new normal. [Morgan Stanley](#)’s shift away from institutional business and into wealth management [drove a doubling of profit](#) in the second quarter, to \$1.94 billion. [Goldman Sachs Group](#) Inc.’s renewed focus on advisory and underwriting [produced](#) a 5.5% increase in profits versus the same period a year ago.

“[Wells Fargo](#) & Co., which has kept its relatively narrow focus on lending, [posted](#) a 3.8% rise in second quarter net income despite falling net-interest margins — the difference between what a bank makes on lending and what it pays depositors.”

### **[Profits Soaring After Disgrace at Cohen’s Hedge Fund](#)**

**Matthew Goldstein, New York Times, 7/29/14**