Americans for Financial Reform

This Week in Wall Street Reform | July 8 — 14, 2017

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TRUMP ADMINISTRATION AND WALL STREET

The Deep Industry Ties of Trump's Deregulation Teams | NY Times
President Trump entered office pledging to cut red tape, and within weeks, he ordered his administration to assemble teams to aggressively scale back government regulations. But the effort — a signature theme in Mr. Trump's populist campaign for the White House — is being conducted in large part out of public view and often by political appointees with deep industry ties and potential conflicts.

Some appointees are reviewing rules their previous employers sought to weaken or kill, and at least two may be positioned to profit if certain regulations are undone. The appointees include lawyers who have represented businesses in cases against government regulators, staff members of political dark money groups, employees of industry-funded organizations opposed to environmental rules and at least three people who were registered to lobby the agencies they now work for.

Trump Set to Announce Quarles, His First Fed Nominee, as Top Bank Cop | Politico Pro
President Donald Trump will end months of speculation by announcing as early as Monday his plan to nominate former Treasury official Randal Quarles as the Federal Reserve's regulatory chief, according to people familiar with the decision. The position will give Quarles a portfolio with an immense impact on the nation's banks.

Quarles, a veteran of the George W. Bush administration, has argued against imposing higher capital standards on banks. That policy stance will be enthusiastically welcomed by banks, which have grumbled about the layers of capital requirements put in place since the financial crisis. If confirmed, Quarles will be mandated to testify before Congress twice a year on regulatory matters.

How Trump's Pick to Police Wall Street Endangers the Economy | Huffington Post (Daniel Marans)
Trump, distressing advocates of tough financial rules and pro-worker monetary policy, on Monday nominated veteran Wall Street lawyer Randal Quarles to serve as the Federal Reserve's top finance regulator. Quarles has moved back and forth between finance and government, which critics pointed out makes his selection Trump's latest departure from the campaign promise to "drain the swamp."

"Quarles is an insider. He has been an insider for decades to both Wall Street and the inside-Washington sort of swamp — the Wall Street-Washington nexus," said Marcus Stanley, policy director of **Americans for Financial Reform**. Quarles likely was chosen to loosen carefully crafted new banking rules, and to prioritize inflation over jobs to the detriment of American workers, Stanley and other critics warned.

See **AFR statement**

Senate Confirms Rao as Trump's Regulatory Czar | Politico Pro

Hensarling Compliments Cohn But Also Plugs Taylor for Fed Chair | Politico Pro
"A number of people could serve in that capacity; John Taylor of Stanford University comes to mind as somebody who would also be an outstanding individual," he added. "But I'm very impressed with Mr. Cohn, and ultimately that's a decision for the president to make." Taylor, a conservative economist who developed an eponymous rule that is used to help guide monetary policy, is seen as much more hawkish on interest rates than Cohn. Trump likely won't make a decision on Fed chair until later this year.

Crapo: Cohn Would Be Good Fed Chair | Politico Pro

Trump's FDIC Nominee Clinger Withdraws from Consideration | Politico

CFPB AND CONSUMER FINANCE

U.S. Agency Moves to Allow Class-Action Lawsuits Against Financial Firms | NY Times
The nation's consumer watchdog adopted a rule on Monday that would pry open the courtroom doors for millions of Americans, by prohibiting financial firms from forcing them into arbitration in disputes over their bank and credit card accounts. The action, by the Consumer Financial Protection Bureau, would deal a serious blow to banks and other financial firms, freeing consumers to band together in class-action lawsuits that could cost the institutions billions of dollars. "A cherished tenet of our justice system is that no one, no matter how big or how powerful, should escape accountability if they break the law," Richard Cordray, the director of the consumer agency, said in a statement.

The new rule, which could take effect next year, is almost certain to set off a political firestorm in Washington. Both the Trump administration and House Republicans have pushed to rein in the consumer finance agency as part of a broader effort to lighten regulation on the financial industry.

CFPB Just Issued a New Rule That Would Protect Consumers From Predatory Fine Print | Time
When the news came last September that Wells Fargo had opened millions of accounts without customers' authorization, it was one of the worst banking scandals in almost a decade. But for some, the shocking practices revealed in regulators' filings were no surprise.Yet Wells Fargo's use of mandatory arbitration agreements had largely barred both customers and employees from filing big lawsuits against the bank—which in turn could have illuminated the practices earlier on. Instead, any cases had to be brought as individual disputes and heard in private, in front of an arbitration panel.

On Monday, the Consumer Financial Protection Bureau released a long-awaited rule that… will ban a number of major financial institutions… from imposing any contractual fine print that would stop consumers from banning together to bring a class action lawsuit. "Since most consumers cannot afford to take on a big corporation on their own, banks like Wells Fargo get away with ripping off large numbers of customers," says Amanda Werner, arbitration campaign manager with **Americans for Financial Reform** and Public Citizen. "This new rule will help prevent this kind of widespread fraud and ensure consumers can fight back."

This New Rule Could Make It A Lot Easier to Sue Your Bank | KUSA-TV (Colorado)
"Forced arbitration deprives victims of not only their day in court, but the right to band together with other targets of corporate lawbreaking. It's a get-out-of-jail-free card for lawbreakers," said Lisa Donner, executive director of **Americans for Financial Reform**. "The consumer agency's rule will stop Wall Street and predatory lenders from ripping people off with impunity, and make markets fairer and safer for ordinary Americans."

With 'Rip-off Clause' Quashed, Consumers Can Now Sue Banks in Class-Action | USA Today
After years of review on the subject, the Consumer Financial Protection Bureau… declared a new rule Monday that bans banks, credit card companies, payday lenders and other financial firms from requiring consumers to settle group disputes through arbitration... "The biggest step has been taken. This is a huge victory for consumers," said Amanda Werner, campaign manager at **Americans for Financial Reform** and Public Citizen. "'We expect a lot of misconduct is going to be rooted out sooner.'"

Banks and Credit Card Companies Can't Try to Stop You from Joining a Class Action Lawsuit — for Now | LA Times
Consumers had good reason to celebrate Monday after the Consumer Financial Protection Bureau, after years of preparation, issued a rule blocking credit card companies, banks and other financial firms from putting roadblocks in the way of customers joining class-action lawsuits. It's a big deal.

But the party won't last. It's all but certain that Republican lawmakers in control of the House and Senate will move quickly to overturn the rule as part of their ongoing efforts to cripple the consumer-watchdog agency and create a more business-friendly regulatory landscape.

Said Lisa Donner, executive director of **Americans for Financial Reform**: "The consumer agency's rule will stop Wall Street and predatory lenders from ripping people off with impunity, and make markets fairer and safer for ordinary Americans."

A Little-Known Clause Was Keeping Consumers from Suing Companies. Not Anymore | Tulsa World

CFPB Arbitration Rulemaking--and Potential FSOC Veto | Credit Slips (Adam Levitin)

Wall Street Will Soon Test Its Clout with Senate Republicans | Washington Post
The Consumer Financial Protection Bureau dropped a hammer blow on the industry Monday by adopting a rule that will allow consumers to bring class-action suits against financial firms. The move prohibits banks from tucking mandatory arbitration clauses into contracts for credit cards, bank accounts and other financial products. For years, those binding agreements forced customers to waive their right to sue in the event of a dispute.

The outline of an industry-backed plan to roll the rule back is already taking shape. Working through their Washington trade associations, banking interests plan to lean on congressional Republicans to scrub the rule from the books.

Amanda Werner, who is leading a campaign by **Americans for Financial Reform** and Public Citizen to uphold the rule, said the CFPB's allies have an uphill fight ahead. "Republicans who try to roll this back will hear about it in 2018," she said. "We think we can win. It's not going to be easy."

Banks' Imperfect Options for Killing CFPB Arbitration Rule | American Banker
Opponents of the Consumer Financial Protection Bureau's arbitration rule are eyeing a trio of options for blocking the regulation before it takes effect, but all three are beset with their own challenges. The strategy with the most attention is for lawmakers on Capitol Hill to repeal the rule through the Congressional Review Act. But industry representatives are also considering the prospect of the Financial Stability Oversight Council overruling the regulation, or a group such as the Chamber of Commerce suing to throw the rule out. Yet all three appear to face an uphill climb."Suggesting now that the rule would put the safety and soundness of the American banking system at risk is preposterous," said Brian Marshall, policy counsel at **Americans for Financial Reform**. "Many banks do not use forced arbitration clauses at all, and the OCC has never suggested those institutions are not safe and sound as a result."

DOL Rule Assault Comes from All Quarters | Financial Advisor IQ

Cordray, Noreika Trade Fire on Consumer Class-Action Lawsuits | Politico Pro
Keith Noreika, acting comptroller of the currency, this week raised concerns that a consumer bureau rule to enable more consumer litigation exposed banks to "potential ruinous liability" and might force them to settle "unmeritorious claims to mitigate the significant costs and risks associated with class-action lawsuits." The cost of litigation "could adversely affect reserves, capital, liquidity, and reputations of banks and thrifts, particularly community and midsize institutions," Noreika wrote to Cordray. Cordray responded with a letter and memorandum challenging that claim and noting that the Office of the Comptroller of the Currency had more than a year to raise concerns about the rule and didn't.

Acting Comptroller's arbitration rule letter raising safety and soundness concerns | CFPB Monitor
Director Corday has sent a letter to Keith Noreika, the Acting Comptroller of the Currency, responding to Mr. Noreika's July 10 letter in which he stated that OCC staff had expressed safety and soundness concerns arising from the proposed arbitration rule's potential impact on U.S. financial institutions and their customers.

In his response, Director Cordray stated that he "was surprised" to receive Mr. Noreika's letter and that the CFPB had "consulted repeatedly" with OCC representatives and other prudential regulators regarding "prudential, market, or systematic objectives administered by such agencies" as required by Section 1022 of the Dodd-Frank Act (DFA).... Anticipating that Mr. Noreika' letter could signal an attempt by the OCC to file a petition with the Financial Stability Oversight Council (FSOC) to set aside the final arbitration rule, Director Cordray stated that the points raised in Mr. Noreika's letter "do not satisfy the statutory requirement that an agency 'has in good faith attempted to work with the Bureau to resolve concerns regarding the effect of the rule on the safety and soundness of the United States banking system or the stability of the financial system of the United States' and has been unable to do so.'"

[Divide Between Financial Regulator Appointed by Trump, Obama Widens](#) | Reuters
The political fissure between an Obama-appointed financial overseer and regulators hired by U.S. President Donald Trump is widening, with Consumer Financial Protection Bureau (CFPB) Director Richard Cordray threatening to challenge in court any attempt to kill his agency's new arbitration rule. To overturn a CFPB rule, two-thirds of the FSOC must agree that it puts the whole banking system at risk. "It's an extraordinarily high standard," said Brian Marshall, policy counsel for **Americans for Financial Reform**, a Washington-based advocacy group. "It's ludicrous that the arbitration rule would meet that standard."

[Republicans Strike Back at New U.S. Ban on Forced Arbitration](#) | Reuters
Republicans lawmakers on Tuesday started trying to kill a brand-new U.S. rule prohibiting banks and credit card companies from requiring customers who open new accounts to sign an agreement that they will not join a group lawsuit in the event of a dispute. The Consumer Financial Protection Bureau on Monday finalized the new rule banning "mandatory arbitration clauses" requiring consumers to forego class-action suits and instead settle disputes in negotiations overseen by arbitrators frequently hired by companies.

The rule immediately ran into fierce opposition by Wall Street and Republicans who control both Congress and the White House. They have long criticized the consumer agency, which is run by a Democrat, Richard Cordray.

[GOP Senator Targets Consumer Bureau Arbitration Rule for Repeal](#) | The Hill
Sen. Tom Cotton (R-Ark.) said Tuesday morning he would seek the repeal of a new Consumer Financial Protection Bureau (CFPB) rule cracking down on arbitration clauses in customer contracts with financial firms. Cotton said in a statement that CFPB had "gone rogue again" with a rule released Monday meant to prevent credit card companies and banks from blocking class-action lawsuits with arbitration clauses.

The conservative senator and frequent CFPB critic said he had begun the process of repealing the rule through the Congressional Review Act. The law, which allows Congress to eliminate rules finalized within a certain timeframe, has been used frequently this year on regulations enacted late in President Obama's term.

[GOP Launches Swift Attack on New Rule Protecting Consumers](#) | Common Dreams (Andrea Germanos)
The rule from the successful and broadly-supported Consumer Financial Protection Bureau (CFPB) bans companies from using mandatory arbitration clauses, which makes consumers give up their right to file or join class-action lawsuits. In other words, it blocks "rip-off clauses" that are "a fine-print trick that banks and predatory lenders use to evade accountability and conceal illegal behavior," as advocacy group Public Citizen put it, noting that they are also used by many corporations.

And according to Vanita Gupta, president and CEO of The Leadership Conference on Civil and Human Rights, the rule marks "yet another example of how the CFPB is living up to its mandate—to put the concerns and welfare of the consumer above those of corporations that too often seek to take advantage of them."

CFPB Issues Rule Making It Easier for Consumers to Sue Banks | Bloomberg
Consumer advocates say restricting arbitration clauses will deter bad actors and force companies to reconsider certain activities because consumers will be more inclined to sue.

“The consumer agency’s rule will stop Wall Street and predatory lenders from ripping people off with impunity, and make markets fairer and safer for ordinary Americans,” Lisa Donner, executive director of **Americans for Financial Reform**, said in a statement.

In major setback for businesses, CFPB opens door to consumer class actions | Politico
[S]ome lawmakers might be reluctant to overturn the rule, with last year’s Wells Fargo scandal involving fake customer accounts still fresh in the public’s mind.

“The anger on that has been building for 10 months,” said Amanda Werner, a campaign manager at **Americans for Financial Reform** and Public Citizen. “We’re actually feeling pretty confident.”

Regulator moves against mandatory arbitration agreements | Minneapolis Star-Tribune
"Since most consumers cannot afford to take on a big corporation on their own, banks like Wells Fargo get away with ripping off large numbers of customers," Amanda Werner, arbitration campaign manager with **Americans for Financial Reform** and Public Citizen, said in a statement. "This new rule will help prevent this kind of widespread fraud and ensure consumers can fight back."

GOP Eager to Repeal Rule that Allows Consumers to Sue Conniving Banks | American Prospect (Justin Miller)

The CFPB’s Disagreement with Our Calculation of the Industry Costs of the Arbitration Rule Is Much Ado About Nothing | Ballard Spahr

See statements by **Americans for Financial Reform, AARP, Center for American Progress, Center for Progressive Reform**, **Center for Responsible Lending, Consumer Federation of America, Consumers Union**, **Economic Policy Institute, Fair Arbitration Now**, **Florida Alliance for Consumer Protection**. **Leadership Conference on Civil and Human Rights**, **NAACP Legal Defense Fund**, **National Association of Consumer Advocates**, **National Council of La Raza/UnidoUS, National Consumer Law Center, National Consumers League, Public Citizen** and **US PIRG.**

Why We Need to Save the CFPB | The Conversation (Jeff Sovern, Ann Goldweber, and Gina Calabrese)

Judge Gives Preliminary Approval to Wells Fargo Settlement | Washington Post
Wells Fargo has received preliminary approval to pay out $142 million to customers affected by the bank’s sales practices scandal. A federal judge gave preliminary approval Saturday to the deal that would settle claims over fraudulent accounts going back to 2002. The San Francisco-based bank and lawyers for customers reached the agreement earlier this year over accounts that Wells Fargo staff had opened without permission as they sought to meet unrealistic sales goals set by management.

Wells Fargo Sham Accounts Cost Bank Another $142 Million | NewsMax
The Wells Fargo sham accounts scandal just cost the bank another $142 million after a San Francisco judge ruled a proposed class action settlement is "fair, reasonable and adequate," reported the Los Angeles Times.

The fake account scandal first started dominating banking news several years ago when law firm Keller Rohrback filed a class action suit after customers accused Wells Fargo of opening unauthorized accounts in their names. Bank employees reportedly created millions of bank and credit card accounts without consent in order to generate money and meet internal goals under considerable pressure. Initially, the bank agreed to pay a $110-million class-wide settlement two years after Keller Rohrback initially filed its complaint.

DERIVATIVES, COMMODITIES, AND THE CFTC

White House to Nominate Russ Benham as CFTC Commissioner | Wall St. Journal
The White House is expected to nominate Russ Behnam, a Senate Democratic aide, to be a commissioner on the Commodity Futures Trading Commission as early as this week, according to people familiar with the matter. Mr. Behnam serves as an aide to Sen. Debbie Stabenow (D., Mich.). She is the top Democrat on the Senate Agriculture Committee, which has jurisdiction over the CFTC. Mr. Behnam didn't respond to immediate requests for comment. The White House declined to comment.

The CFTC currently has just two members—acting Chairman J. Christopher Giancarlo and Democratic Commissioner Sharon Bowen. Mr. Giancarlo's nomination to be permanent chairman passed the Senate Agriculture Committee by a 16-5 vote in June, though the full Senate has yet to vote on his approval. Ms. Bowen recently announced her intent to step down in the coming months, citing her desire for a full slate of new commissioners as one of the reasons for her decision.

U.S. Regulator Moves to Rewrite Rules for Swaps Transaction Reporting | Wall St. Journal
The U.S.'s top derivatives regulator on Monday said it plans to rewrite rules governing the reporting of swaps transactions in an effort to make data more consistent across firms and give regulators a clearer view of market conditions. The Commodity Futures Trading Commission has been working to reconcile post-trade reporting data from four privately-owned data repositories as part of an effort to identify and address potential sources of systemic risk in the $483 trillion global swaps market. The market was placed under the CFTC's jurisdiction as part of the 2010 Dodd-Frank Act.

While data repositories, which are approved by regulators, must submit post-trade data to the CFTC, there are no firm guidelines governing data standardization. The CFTC's new effort attempts to change that. A recent CFTC inspector-general report criticized current data collection, saying current data was "essentially unusable."

FEDERAL RESERVE

The Federal Reserve Is at a Critical Juncture | Forbes (Norbert Michael)
[S]ome policymakers are seriously entertaining the idea of maintaining the Fed's extraordinary large presence in credit markets, rather than shrinking the balance sheet.Putting off normalization and

maintaining this existing framework is a terrible idea. Congress should force the Fed to start normalizing now, and they should prevent the Fed from doing anything remotely similar again.

INVESTOR PROTECTION AND THE SEC

In First Speech, SEC's Clayton Stresses Cyber Threat | Politico Pro
Securities and Exchange Commission Chairman Jay Clayton emphasized the need for greater cooperation on cybersecurity and the speedy reporting of hacks by companies, in his first public speech as head of the markets regulator. "Information sharing and coordination are essential for regulators to address potential cyber threats and respond to a major cyberattack," Clayton said in prepared remarks delivered Wednesday before the Economic Club of New York. "The SEC is therefore working closely with fellow financial regulators to improve our ability to receive critical information and alerts and react to cyber threats."

Clayton, whose speech also covered the need to make the U.S. more attractive for initial public offerings and safer for small investors, warned that this is a dangerous digital environment for companies, with state-sponsored hackers targeting firms. But he said, "Being a victim of a cyber penetration is not, in itself, an excuse… Public companies have a clear obligation to disclose material information about cyber risks and cyber events," he said. "I expect them to take this requirement seriously."

SEC's Clayton outlines his agenda as chairman | ComplianceWeek

Warner asks Clayton to end 'maker-taker' pricing | PoliticoPro
Sen. Mark Warner (D-Va.) asked SEC Chairman Jay Clayton to put an end to the practice of "maker-taker" pricing, in which exchanges give rebates to certain members who place orders on their systems.

In a **letter to Clayton**, Warner said the practice creates conflicts between brokers and clients and threatens to erode investor confidence. The Senate Banking Committee, on which Warner sits, has held hearings on the subject and the SEC has embarked on a pilot project to examine possible reforms.

See **SEC letter** to FASB disagreeing with proposed changes in the definition of "Materiality."

MORTGAGES AND HOUSING

RBS Settles Toxic U.S. Mortgage Case for $5.5 Billion | Politico Pro
Royal Bank of Scotland will pay $5.5 billion to settle claims with U.S. authorities in a legal case involving the bank's issuance and underwriting of $32 billion in residential mortgage-backed securities. The payment to the Federal Housing Finance Agency will result in existing litigation being dropped, and will be largely covered by indemnities and "existing provisions," the bank said in **a statement**.

PRIVATE EQUITY

Private Equity: The New Neighborhood Loan Shark | American Prospect (Chuck Collins)
"These contracts exist in a regulatory 'no-man's land' between tenant protections and homeowner

protections," says Sarah Mancini, an attorney with the National Consumer Law Center and co-author of a 2016 report about contracts for deed, "Toxic Transactions: How Land Installment Contracts Once Again Threaten Communities of Color." "These aspiring homeowners have neither," she says.

Assuming all the risk, if contract buyers miss a payment, they can lose all their previous payments and investments they've made in maintaining the house. Because they are technically not owners, buyers may be quickly evicted under forfeiture procedure, without the increased protections of foreclosure law afforded to homeowners. Think "repo" of a car, not a home.

Private Equity Fundraising Rivaling 2007 Highs | Pensions & Investments
U.S. private equity firms raised $113.4 billion in 117 funds in the first six months of 2017, compared to $209 billion raised by 281 funds in all of 2016, according to data released Thursday by PitchBook.
If the investment pace continues, total capital raised could meet or exceed 2007, the all-time high point of private equity fundraising when $267 billion was raised by 308 funds. Half of the funds closed in the first half of 2017 were megafunds that raised $5 billion or more in capital.

Four Steps to Avoiding Broker-Dealer Issues for Private Equity Firms | Forbes

REGULATION IN GENERAL

Senate Bill Will Gum Up Protections for Ordinary Folks | Philadelphia Tribune (Rhea Suh)
As early as this summer, the U.S. Senate could take up a bill that would dramatically tilt the scale from public interest to corporate interest on common sense safeguards for consumers, workers, safety, health and the environment. The bill, a version of which passed in the House earlier this year, was introduced by Sen. Rob Portman (R-Ohio) and is cynically named the Regulatory Accountability Act. What it would do is put people at needless risk. The Senate should vote it down.

Proponents of the bill claim it would make federal regulations more transparent to promote public input. But, in reality, it would do the opposite: empower the small, political Office of Information and Regulatory Affairs in the White House to wield authority over our health, safety and welfare, operating far from public view. The bill was crafted to provide Wall Street, fossil fuel companies, industrial polluters and others with new tools to grind the wheels of public protections to a halt, making it harder for individuals to hold corporations to account.

The Business Links of Those Leading Trump's Rollbacks | NY Times

Trump Wants to Deregulate on the Cheap | The Hill (Stuart Shapiro)
Now that the Trump Administration can no longer rely on Congress using the Congressional Review Act to repeal regulations, they are on their own. One strategy that the Trump Administration has deployed is delaying the effective dates of Obama Administration regulations that have not yet gone into effect. This is not terribly unusual as presidents of both parties have employed it to buy time to figure out what to do with the policies of their predecessors.

But the Trump Administration has gone farther than previous Presidents. It has also tried to delay the implementation of regulations that are already in effect.

Newly Appointed Regulation Czar Comes with Deregulation Theories | KWBU

Greens Sue EPA Over Smog Rule Delay | The Hill
Environmental and health groups are suing the Trump administration to stop the Environmental Protection Agency's (EPA) delay of an ozone pollution regulation. The groups, led by Earthjustice, said Wednesday that EPA Administrator Scott Pruitt acted illegally when he decided last month to delay by one year the implementation of the Obama administration's regulation.
"EPA's delay flouts the rule of law," Seth Johnson, an Earthjustice attorney who is representing the coalition, said in a statement. "It's illegal and wrong," he said. "It forces the most vulnerable people, like children, people with asthma and the elderly, to continue to suffer from dangerous ozone pollution. The EPA is wrong to put its polluter friends' profits before people's health."

RETIREMENT INVESTMENT AND DOL FIDUCIARY RULE

No One Should Have to Rely on Payday Loans in Retirement | American Banker (Tom Dresslar)
California has passed a disconcerting milestone in payday lending. In 2016, residents 62 and older took out more payday loans than any other age group, according to industry data compiled in a new report from the Department of Business Oversight. This trend points to a continuing erosion of retirement security for seniors.

Customers typically resort to payday loans to get through unexpected financial challenges. Often they take out multiple loans in a year, ending up in what critics call a "debt trap." In 2016, California seniors were repeat customers more often than other groups, according to the DBO report. The average payday loan borrower 62 years or older took out almost seven payday loans last year, compared with the average of 6.4 loans for all customers. The payday lending data not only indicates troubling signs about the debt burden for seniors, but also provides evidence of the disturbingly weak state of retirement security for state residents.

Does Your Financial Advisor Put Your Interests First? | Huffington Post (David Rae)
After years of work the Department of Labor (DOL) finally unveiled their Fiduciary Rule last spring. It was set to go into effect Friday June 9th this year after multiple delays. By law it would mean that "Financial Advisors" (i.e. financial planners, stockbrokers, registered reps, attorneys, banks, lenders, investment hucksters, etc.) must act in their clients' best interests and not their own, when dealing with retirement accounts only.

Those of us who are Fiduciaries are pretty proud of it and usually display the title prominently on our business cards and websites. But if you're not sure, just ask. If your person is a Fiduciary –the answer should be a simple yes. But if they aren't actually a Fiduciary they may try and give you some convoluted justification of why they don't want to work in your best interests. HEAR ME NOW, if the person handling your investments is not a Fiduciary RUN, and run fast.

Rep. Wagner Drafts Bill to Kill DOL Fiduciary Rule | Credit Union Times
House lawmakers plan to convene a hearing Thursday to discuss the impact of the Department of Labor's fiduciary rule on the capital markets. The hearing will focus on a draft bill put forth by Rep. Ann Wagner, R.-Mo., that seeks to kill the fiduciary rule and instead impose a best interest standard on broker-dealers' investment recommendations. The Consumer Federation of America sent a letter Tuesday to members of the committee expressing "strong opposition" to the measure, stating that it

“would dramatically weaken existing protections for retirement savers without providing meaningful new protections for investors in non-retirement accounts.”

Mixed Reviews on Wagner Bill to Scrap DOL Rule | Insurance News Net
New legislation proposed by Rep. Ann Wagner, R-Mo., would create a new advisory standard somewhere between fiduciary and suitability, said Rep. David Scott, D-Ga. Scott, who has worked with Wagner on various fiduciary rule alternatives, is not on board with the congresswoman's latest bill -- unveiled today during a House Financial Services subcommittee hearing. “This bill is a very troubling bill," said Scott, adding that it “undermines the SEC’s rulemaking authority in this space. What if the market evolves? ... Why are we being so prescriptive in drafting this bill? Why don’t we allow the SEC to do their job.”

SEC's Jay Clayton Makes Fiduciary Duty a Priority, Acknowledges Issue is ‘Complex' | Investment News
In his first major address since taking office in May, SEC chairman Jay Clayton said a fiduciary rule is one of his priorities and that he would like to work with the Labor Department on an advice standard. "With the Department of Labor's fiduciary rule now partially in effect, it is important that the commission make all reasonable efforts to bring clarity and consistency in this area," Mr. Clayton said in a speech at the Economic Club of New York. "It is my hope that we can act in concert with our colleagues at the Department of Labor in a way that best serves the long-term interests of Mr. and Ms. 401(k)."
The DOL has implemented two provisions of its own regulation, which requires financial advisers to act in the best interests of their clients in retirement accounts. But that measure is undergoing a reassessment mandated by President Donald J. Trump that could lead to revisions.

Best Interest Is in the Eye of the Beholder in Fiduciary Rule Debate | Crain’s InvestmentNews

Fiduciary Rule Hearing in House Illustrates Deep Divide | Bloomberg BNA

See AARP Testimony, “Impact of the DOL Fiduciary Rule on the Capital Markets”

STUDENT LOANS AND FOR-PROFIT SCHOOLS

DeVos Fights State Intervention in Lawsuit Over ‘Borrower Defense’ Rule | Politico Pro
The Trump administration is asking a federal judge to deny an effort by state attorneys general to intervene in a lawsuit challenging the "borrower defense to repayment" regulations. Justice Department attorneys argued in a court document filed Monday evening that a group of nine Democratic attorneys general shouldn't be allowed to weigh in on the lawsuit, filed by a California association representing for-profit colleges. The administration's attorneys argue the states don't have standing to intervene because the rule doesn't directly affect them.

The attorneys general of Massachusetts, California, Illinois, Iowa, Maryland, New York, Oregon, Pennsylvania and the District of Columbia, all Democrats, are seeking to intervene in the case. They argue they need to step in to defend the Obama-era regulations from legal challenge because the Trump administration likely won't. The states say that making sure the federal rule is enforced is related to their role protecting students from predatory practices.

[Trump Administration Begins Rewriting For-Profit Regulations](#) | US News

[Beneficiaries of the DeVos Delay](#) | Inside Higher Ed

[Education Department Derided, Praised for Student Loan Protection 'Pause'](#) | Diverse Issues in Higher Education

[Dozens Of Organizations Come Out In Support Of Gainful Employment, Borrower Defense Rules](#) | Consumerist
A week after two separate lawsuits were filed by 19 state attorneys general and a group representing students accusing Education Secretary Betsy DeVos of breaking the law by delaying protections for student loan borrowers, a coalition of more than 50 consumer groups have stepped forward to join the opposition against a "reset" of regulations put in place to protect students at for-profit colleges. The group, composed of our colleagues at Consumers Union, the Institute for College Access & Success, Higher Ed Not Debt, Public Citizen, and other organizations, submitted comments [**PDF**] to Secretary DeVos today expressing their "strong opposition" to the "delay, dismantling, and weakening" of the Gainful Employment and the Borrower Defense to repayment regulations.

See **AFR letter** calling on Education Department to enforce Gainful Employment and Borrower Defense Rules

[States Fight to Protect Students of Schools](#) | NY Times (editorial)

[Why 18 States Are Suing Education Secretary Betsy DeVos](#) | NPR
The attorneys general of 18 states and the District of Columbia are suing the U.S. Department of Education over a rule to protect student loan borrowers that was supposed to go into effect July 1. Education Secretary Betsy DeVos had announced a "reset" of the rule, known as "borrower defense to repayment," on June 14. The issue is students' obligations to repay loans when their colleges are found to have committed fraud, misled students or otherwise violated state laws. In July 2014, Corinthian, a for-profit chain of colleges with 70,000 students at more than 100 campuses, ceased operations under a regulatory crackdown. ITT Tech, another for-profit with nearly 40,000 students, shut down in 2016.

The lawsuit alleges the department violated federal law by suddenly and unilaterally axing the rule without allowing stakeholders to weigh in again. The coalition comprises the attorneys general of California, Connecticut, Delaware, Hawaii, Iowa, Illinois, Maryland, Massachusetts, Minnesota, New Mexico, New York, North Carolina, Oregon, Pennsylvania, Rhode Island, Vermont, Virginia, Washington and the District of Columbia.

[How Will the Feds Protect Student-Loan Borrowers in the Future? 2 Visions Are Aired](#) | The Chronicle of Higher Education
The Education Department announced in June that it would delay and renegotiate a pair of Obama-era regulations aimed at reining in abuses by colleges. And Monday marked the tipoff of that process.

Student and borrower advocates pulled no punches when discussing their belief that the rules should be put in place as written. "To be perfectly frank, I can't believe we're doing this again," said Alexis Goldstein, a senior policy analyst at **Americans for Financial Reform**, which describes itself as nonpartisan, nonprofit organization.

Trump Changes Higher Ed with Rollback of Obama-era Consumer Protections | Washington Post
“At no point are they asking for the input of student loan borrowers or people enrolled in college,” said Alexis Goldstein, senior policy analyst at the progressive **Americans for Financial Reform**. “The common theme here is enriching a certain number of private actors at the expense of protections for borrowers.” Goldstein cited DeVos’s withdrawal of three Obama-era memos designed to strengthen consumer protections for student loan borrowers. One required the department to consider a loan servicer’s record, including consumer complaints and state investigations, before awarding a contract.

Protect Students from Predatory For-Profit Colleges | Akron Beacon Journal (editorial)

It's Betsy DeVos' Job to Protect Students from Predatory For-Profit Colleges. She Should Do It | LA Times (editorial)
Given Donald Trump’s frequent campaign promises to wipe out “job killing” regulations on Day One, no one should be surprised that the Trump administration is going after federal safeguards that protect consumers at the expense of corporate profits. And it’s no secret that new Education Secretary Betsy DeVos shares the president’s wish for fewer rules, and more freedom and money for the private sector.

But surely there’s some limit to that. Even the leaders of a wholly dysfunctional administration must recognize that fraud is fraud. Out-and-out cheating, lying to potential customers, isn’t just unethical. It’s illegal. And the worst fraud in the higher education world during recent decades has been perpetrated by for-profit colleges that grossly overstate their graduates’ ability to land good jobs, that talked students into applying for loans they would almost certainly be unable to repay and that bamboozled them into signing away their right to sue should they discover how dishonestly they had been treated.

See **testimony of Alexis Goldstein** at Department of Education public hearing,

SYSTEMIC RISK

Fed’s New Banking Watchdog Likely to Ease Burden of Stress Tests | Financial Times
Marcus Stanley of **Americans for Financial Reform**, a group that campaigns for tougher regulation of Wall Street, attacked the appointment as a “back to the future nomination”, pointing to Mr Quarles’s role in the regulatory team at the Bush Treasury department in the years before the financial crisis. “He’s part of the same team that minimised the idea that we had a problem with Wall Street. They left the bomb primed to go off. It blew up and took down the world economy. Now we are putting a member of that team back in charge.”

JPMorgan, Citi press regulators to ease backup capital rule | PoliticoPro

Yellen: Congress Could Consider Naming Lead Regulator for Volcker Rule | Politico Pro

OTHER TOPICS

JPMorgan Just Had the Most Profitable Year in the History of Banking | Bloomberg

The bank earned $26.5 billion over the past 12 months, the most ever by any major U.S. bank. While trading results reported Friday were worse than analysts expected, second-quarter net income set a record and the company said it will increase loans to companies and consumers this year at a rate that's double what analysts predicted.

The world of finance has a dark side - and another side | PBS NewsHour (Paul Solman interviews Mihir Desai)