AMERICANS FOR FINANCIAL REFORM

THIS WEEK IN WALL STREET REFORM
JULY 19 – JULY 25, 2014

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DODD-FRANK, FOUR YEARS ON

Ignore the Naysayers: Dodd-Frank Reforms Are Finally Paying Off
Mike Konczal, The New Republic, 7/23/14
"This past year has seen significant advances on key issues of financial reform," and "the issues where regulators are reluctant to take strong action are becoming increasingly apparent."

"As Marcus Stanley of **Americans for Financial Reform** told me, 'regulators have not fulfilled their statutory mandates to ban incentive pay that encourages inappropriate risk-taking, impose appropriate limits on the Federal Reserve's emergency lending powers, bring real accountability to the credit rating agencies, and simplify the structure of global Wall Street mega-banks to ensure that they can be resolved safely. Even their initial proposals in these areas are inadequate.' Whether and how Congress forces regulators to act on these key points will determine the shape of financial reform."

The Shortcomings of Dodd-Frank
Jonathan Bernstein, Bloomberg Businessweek, 7/24/14
"Markets have offered their verdict on Dodd-Frank: Studies show creditors lend money more cheaply to the largest banks on the assumption the government will rescue them in an emergency. The International Monetary Fund estimated this implicit taxpayer subsidy at as much as $70 billion a year in 2011 and 2012.

"Dodd-Frank provides regulators with the powers they need to prevent the financial sector from leaning on taxpayers and endangering the economy. All that's wanting is the will to use them."

Taking Stock of Four Years of Dodd-Frank
Jennifer Taub, New York Times, 7/25/14
"As we mark the fourth anniversary of the Dodd-Frank Wall Street Reform and Consumer Protection Act, there is an inclination to commiserate rather than to celebrate. Given that only about half of the rule-makings mandated under the law have yielded final rules, this mood is understandable.

“Perhaps, however, the traditional fourth anniversary gift of ‘fruit and flowers’ might assist our financial reform felicitations. There is low hanging fruit to pick and buds ready to bloom…”

Dodd-Frank Law Still Far From Finished

Andrew Ackerman and Alan Zibel, Wall Street Journal, 7/20/14

“Turnover and lost court battles have held back some regulators, notably the Securities and Exchange Commission, which faces more mandates under the 2010 Dodd-Frank financial law than any of the other agencies charged with writing rules. Only 44% of the SEC's rules are final or nearly final, according to law firm Davis Polk & Wardwell LLP. That is the smallest percentage among the main financial regulators…

“Yet the complexity of the rules—along with the sometimes vague language of the law—has delayed implementation of some rules even once they are completed. A Federal Reserve rule aimed at limiting fees that debit-card companies can charge merchants has been caught in a court battle, with merchants saying last month they planned to ask the Supreme Court to review the case.

“And the Volcker rule, which bans banks from making risky bets with their own money, isn't expected to go into effect for another year, and questions remain among those affected about how broadly the rule will be applied.”

Dodd-Frank at Four

Bartlett Naylor, Huffington Post, 7/21/14

“The Consumer Financial Protection Bureau (CFPB), the new agency created by the law, runs robustly. The agency has returned $3.8 billion to consumers who fell victim to violations of the law. Americans are growing acquainted with this new friend, as 375,000 have filed complaints on debt collection, credit cards, mortgages and other consumer issues.

Perhaps the best sign of its potency is that the congressional allies of the industry sector that thrives on unfair, deceptive or abusive practices continue to harangue the CFPB. Efforts to defund it or dilute its authority figure in the routine diet of the Republican-controlled U.S. House of Representatives.

“On the other end of progress, the Securities and Exchange Commission lags behind its fellow regulators in finalizing rules. There is still no rule for credit rating agencies, the industry that blithely assigned high grades to junk mortgage securities. Money market reform remains mired, and the corporate governance provisions that would shine sunlight on pay practices of corporate CEOs while also reining in the most egregious is also long delayed.”

Dodd-Frank Still Not Fully Implemented Four Years Later

Interview with Gerald Epstein, The Real Network, 7/22/15

“Well, the Dodd Frank Act was designed to be implemented over a series of years, and much of it was left unwritten. So there was kind of broad guidelines of the law, and the bank lobbyists wanted it this way so that they could fight over every piece of implementation along the way with respect to all the different regulatory agencies--Securities and Exchange Commission, the CFTC, the consumer financial bureau, etc. At every different forum, they could fight to try to restrict the effectiveness of these bills, these laws, and they have invested millions and millions of dollars over the last four years to poke holes in the Dodd-Frank law, to delay the implementation, to try to gut the implementation. And, unfortunately for the citizens of the United States and the rest of the world, they've had a lot of success."

Fight Over Dodd-Frank Lingers Years After Its Passage

Kevin Dugan, New York Post, 7/20/14

"While many of its most pressing provisions have been enacted, the Republican-led House of Representatives last week tried to pull back funding for some of the agencies responsible for enforcing Dodd-Frank.

"'I see this as a huge political battle,' John Alan James, chairman emeritus at the Center for Global Governance, Reporting and Regulation at Pace University, told The Post.

"Although the bill is likely to stall in the Democratic-controlled Senate, if Republicans win enough votes this November to gain control of the chamber, they could revive efforts to de-fang Dodd-Frank, according to James."

Four Years Later, Dodd-Frank Continues 'Too Big To Fail'

Senator David Vitter, The Hill, 7/21/14

"Four years later, the verdict is in: 'Too Big To Fail' is alive and well… The six megabanks (Bank of America, Citigroup, JP Morgan Chase, Goldman Sachs, Morgan Stanley, and Wells Fargo), who now control almost 50 percent of the banking assets in the United States, have grown by almost $800 billion since the financial crisis. Further, just over the last year, the [total assets of the] four biggest banks in the United States (Bank of America, Wells Fargo, Citigroup, and JP Morgan Chase)… have grown by nearly $200 billion, resulting in total assets worth more than $8.1 trillion…

"I believe we should adopt a fundamentally different approach focused on simpler, more targeted and systemic reforms. Sen. Sherrod Brown (D-Ohio) and I have introduced legislation that does this--the Terminating Bailouts for Taxpayer Fairness (TBTF) Act. It evens the playing field and better protects the taxpayer from failures and the bailouts that would follow by increasing the minimum amount of capital megabanks are required to have. It also gives smaller, community banks some significant regulatory relief (an area in which I would have preferred to go much further for banks of all sizes)."

Did Dodd-Frank Work?

Joe Nocera, New York Times, 7/22/14

"[T]he ultimate problem: We have no way of knowing whether 'too big to fail' still exists until we have another crisis. Let's just hope we don't have to find out anytime soon."

The Volcker Risk Bubble

John Carney, Wall Street Journal, 7/21/14

"A new working paper by economists Jussi Keppoy and Josef Kortez examines the effect of the Dodd-Frank Act's ban on proprietary trading. It finds that banks whose business models had traditionally been geared toward activities limited by the Volcker Rule—basically, the big Wall Street banks—have indeed reduced the size of their trading books. But they haven't cut the risks they take.

"According to the paper, banks have managed to maintain their risk-taking in two ways: they have reduced the hedging of their banking books and increased the speculative uses of trading assets not limited by the [Volcker Rule]. Those assets would include U.S. Treasuries."

'Bring It On,' Frank Tells Dodd-Frank Critics at Hearing
Cheyenne Hopkins, Bloomberg, 7/24/14
"Barney Frank, the panel's former chairman, returned to Washington yesterday to sit before the committee and provide a feisty defense of that year's regulatory overhaul, the Dodd-Frank Act that bears his name. The hearing split along partisan lines in support of and opposition to the wide-ranging law passed in response to the 2008 financial crisis.

"'I know the chairman said the financial reform bill is as damaging as the health-care bill,' the now-bearded Massachusetts Democrat said, referring to the current Republican chairman, Jeb Hensarling of Texas. 'Well my recollection is this Republican Congress votes on a fairly regular basis to repeal the health-care bill. But where's your bill to repeal the financial reform bill? If you have the courage of your convictions, bring it on…'

"'This is another one of these show-and-tell hearings with apparently no purpose,' Congressman Michael Capuano, a Democrat from Massachusetts, said. 'To me I'm actually kind of tired of them. If it wasn't because of Barney, I would have left.'"

Barney Frank Challenges GOP's 'Too Big to Fail' Arguments
Victoria McGrane, Wall Street Journal, 7/23/14
"Among other criticisms, the panel's Republicans said the law has exacerbated the belief that certain big, complex banks are 'too big to fail' and thus would necessitate a government bailout the next time crisis strikes. They also charge the law heaped too many costly regulations onto smaller lenders, hobbling their ability to lend to consumers…

"He took issue with the GOP argument that the process created by the law for regulators to designate certain nonbank financial companies as "systemically important" amounts to telling investors they'll be protected if one of these firms fails because the government will come to the rescue…

"'I think that's a very Marxist analysis, but the Marx in question is Chico,' he continued, quoting the aforementioned comedian Leonard 'Chico' Marx of the Marx Brothers as saying, "'Who are you going to believe, me or your eyes?' Who are you going to believe, your own viewpoint or what financial institutions tell you?' Mr. Frank said."

House Republicans Take Aim at Dodd-Frank
Victoria McGranne, Wall Street Journal, 7/20/14

Four Years of Dodd-Frank Damage
Peter J. Wallison, Wall Street Journal, 7/20/14

After Four Years of Dodd-Frank, We're Still Waiting for Wall Street Reform
Ted Kaufman, Forbes, 7/22/14

Four Years Later, Dodd-Frank Is Still Only Halfway Implemented
Puneet Kollipara, Washington Post, 7/21/14

[Five Ways Dodd-Frank Is Reshaping Wall Street]
Victoria McGrane, Wall Street Journal, 7/21/14

[After Four Years Of Dodd-Frank, Bank Regulation Is Still A Guessing Game]
Frank Sorrentino, Forbes, 7/24/14

[Four Years After Dodd-Frank: A Lot to Celebrate, a Lot More Work to Be Done]
Regs Talk (Coalition for Sensible Safeguards), 7/22/14
"Six years ago in September, following a decade of under-regulation, reckless Wall Street practices crashed our economy. Two years later, in July 2010, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act. Since then, the process of turning the financial reform legislation into implementable law has frequently been stalled. Armies of well-financed lobbyists representing banks and industry interests have labored to water down and delay the rules, but still, consumers are reaping huge benefits from the legislation. These accomplishments are exemplary of the way our regulatory system should work to hold corporations accountable and protect the public from harm, but they are only the first steps on a longer journey to financial security and regulatory transparency."

[Wall Street Regulation Needs to be Tougher, Americans Overwhelmingly Agree in New Poll]
AFR/CRL Survey, 7/17/14
"Nearly five years after the financial crisis, a new national poll shows continued bipartisan support for tough regulation of the financial industry and its products and services, along with a pervasive sense that more needs to be done.

"A sweeping majority of voters (78%) believe that financial rules and enforcement need to be strengthened, and that Wall Street's bad practices have not changed enough. The survey was conducted at the end of June 2014 by Lake Research Partners on behalf of **Americans for Financial Reform** and the Center for Responsible Lending.

"By a 3:1 margin, voters agree that getting tougher on Wall Street will help prevent future crises, rejecting the counter-argument that regulation will damage the economy. This is true of Democratic, Independent, and Republican voters alike – by margins of 85% to 7%, 78% to 9%, and 72% to 15% respectively."

Wall Street Backlash Will Shake up 2016 Election

David Weidner, Wall St. Journal, 7/22/14

"Nearly four out of five voters surveyed (78%) said financial rules and enforcement need to be strengthened, and that Wall Street's bad practices have not changed enough, according to a poll results released Monday by Lake Research Partners on behalf of **Americans for Financial Reform** and the Center for Responsible Lending.

"The poll found 61% of respondents agreed that Wall Street and the financial industry are still too powerful and engage in reckless practices that pose a continuing danger to the economy. And the furor overrides the political divide we've been hearing so much about. The poll found 84% of Democrats, 82% of Independents and 74% of Republicans say they are concerned about the influence of Wall Street financial companies on elected officials."

Americans Believe Wall Street Needs More Regulation

Hal M. Bundrick, MainStreet.com, 7/23/14

"Five years after the financial crisis, Americans overwhelming believe that the investment and banking industry requires even greater supervision and more stringent regulation. By a convincing 3:1 margin, voters surveyed by Lake Research Partners believe that broad regulation will help prevent future financial problems – and that conviction holds true across political party lines. Fully 85% of Democrats, 78% of Independents, and 72% of Republicans agreed that Wall Street should be guided by 'tougher rules…'

"A majority (56%) of voters surveyed said they would be less likely to vote for a Congressional candidate who had been backed with major funding from big banks and financial companies. In fact, they would be more likely (46%) to vote for a candidate who favored stronger regulation of banking and investment firms. Three-fifths of respondents said the financial services industry is still too powerful and reckless and poses a continuing threat to the economy. "

Poll Shows Strong Support for Tougher Rules on Wall Street

Peter Schroeder, The Hill, 7/18/14

"According to the survey, 78 percent of likely voters believe the financial sector should face tougher rules, compared to just 11 percent who believe they are sufficiently regulated.

"And there appears to be broad bipartisan support for tough rules, as the poll found even 72 percent of Republicans favored stronger rules, while 78 percent of independents and 85 percent of Democrats agree.

"The poll of 1,000 likely voters was conducted by the Democratic pollster Lake Research Partners, at the request of the pro-financial reform groups **Americans for Financial Reform** and the Center for Responsible Lending…

"Four-fifths of those polled said they are concerned about the influence Wall Street firms enjoy in Washington, and 56 percent said they would be less likely to vote for a candidate who receive large donations from the financial sector."

Public Still Distrusts Wall Street

Frank Knapp, South Carolina Small Business Chamber of Commerce, 7/19/14
"The legislative vehicle to protect all of us from the greed of Wall Street was the Dodd-Frank financial reform of 2010… Since then the big banks and Wall Street have publicly complained wildly about new regulations and spent millions to lobby Congress and the newly created Consumer Financial Protection Bureau in hopes of stopping the latter from enforcing regulations. The message has been that the nation's economy would soar if we just unshackled Wall Street and big banks and let them do all the same risky transactions that tanked our economy about 6 years ago…

"A new poll finds that the public wants even stronger rules to rein in Wall Street and big banks (78% in favor to 11% opposed). And the support for tougher rules crosses party lines with 72% Republicans, 78% independents and 85% Democrats in favor.

"The poll, commissioned by the **Americans for Financial Reform** and the Center for Responsible Lending, can only be explained in this way. The American public, in spite of all the muscle of Wall Street, still does not trust the behemoths of the financial sector to do the right things to protect the public from another Great Recession."

Bank Rules Win Fans

Darrell Delamaide, USA Today, 7/22/14
"The reason for this sudden disinterest in attacking consumer finance protection might be found in a new poll out this week, which found that three-quarters of those surveyed are in favor of the CFPB — including 85% of Democrats, 75% of independents and 63% of Republicans.

"In general, the survey by Lake Research Partners on behalf of **Americans for Financial Reform** and the Center for Responsible Lending found that nearly four-fifths (78%) of respondents across party lines favor tougher regulation of Wall Street, three-fifths (61%) believe new regulations can help prevent a future financial crisis, and only one-fifth (21%) think that these regulations hurt the economy."

Dodd-Frank's FSOC Under Fire as Americans Push for Wall Street Crackdown

Melanie Waddell, ThinkAdvisor, 7/22/14
"Just as a new poll of Americans shows their continued support for tough regluations on Wall Street under Dodd-Frank, regulators and lawmakers continue to sharply criticize the Financial Stability Oversight Council that the reform law created.

"A poll conducted at the end of June by Lake Research Partners on behalf of **Americans for Financial Reform** and the Center for Responsible Lending found that voters agreed by "wide margins" (65%) that there should be more government oversight and regulation (62%) of financial companies.

"Support for the law's extension of oversight to previously unregulated entities also remains strong: 75% of voters favor the law (53% strongly), compared to only 19% who oppose it. The popularity of the Dodd-Frank Wall Street Reform and Consumer Protection Act, signed in 2010, continues to extend across party lines, with 86% of Democrats, 69% of independents and 68% of Republicans favoring the law."

[**Dodd-Frank Poll Finds Wall St.'s 'Bad Practices' Have Not Changed**]
Tim Devaney, The Hill, 7/21/14

CONSUMER FINANCE AND CFPB

[**Feds Turn Up the Pressure on Payday Lenders**]
Editorial, Dallas Morning News, 7/21/14
"The Consumer Financial Protection Bureau just slapped Irving-based Ace Cash Express with a $10 million settlement for 'pushing payday borrowers into a cycle of debt.' This comes after the same agency hit Fort Worth-based Cash America, another mega-lender, with a $19 million settlement late last year over its practices.

"Add those penalties to the growing effort by Texas cities to toughen zoning and lending requirements, and it's clear that the payday industry is feeling increasing regulatory scrutiny.

"The federal consumer bureau says Ace used illegal debt collection tactics — including harassment and false threats of lawsuits or criminal prosecution — to pressure overdue borrowers into taking out additional loans they could not afford. Under the settlement, Ace will pay $5 million in refunds and a $5 million penalty."

[**Payday Lenders Set the Debt Trap**]
Editorial, New York Times, 7/19/14
"This is a sound result in one case, but the fact is that ACE's practices appear to be typical in the industry. Earlier this year, for example, the bureau [released a study] of about 12 million payday loans issued across more than 30 states. It found that only 15 percent of borrowers could raise the money to repay the entire debt without borrowing again within 14 days. Twenty percent of these borrowers eventually defaulted, spelling disaster for their credit records. Nearly two thirds renewed a loan and were on the hook for fees that could put them on the road to financial ruin; three out of five payday loans were made to people whose loan fees exceeded the amount borrowed.

"The bureau needs to be attacking the entire industry. The way to clean up this kind of fraud is to limit monthly loan payments to 5 percent of the borrower's pretax income and spread the cost of fees and interest rates over the life of the loan. The bureau must also disallow abusive practices in which lenders get access to a borrower's checking account, take out money and cause overdraft fees."

[**Thank You for Your Service: How One Company Sues Soldiers Worldwide**]
Paul Kiel, ProPublica, 7/25/14
"With stores near military bases across the country, the retailer USA Discounters offers easy credit to service members. But when those loans go bad, the company uses the local courts near its Virginia headquarters to file suits by the thousands. From there, USA Discounters files lawsuits against service members based anywhere in the world, no matter how much inconvenience or expense they would incur to attend a Virginia court date. Since 2006, the company has filed more than 13,470 suits and almost always wins, records show."

Car Loans Could Be the Next Subprime Crisis. Thanks, Republicans!
Erika Eichelberger, Mother Jones, 7/22/14
"Would you buy a subprime-loan crisis from this man? A new New York Times investigation reveals that used car dealers are doling out giant loans to millions of poor Americans with bad credit. Many of these dealers are using the same negligent lending lending tactics that subprime mortgage lenders used before the 2008 financial crisis, including ignoring or fabricating information about borrowers' income, employment, and ability to repay.

"The CFPB can police dealers indirectly through its oversight of auto lenders who pay dealers a commission for making loans. But because the CFPB has no direct oversight of sketchy car dealers, 'abuses continue for longer than they should,' says Chris Kukla, the senior vice president at the Center for Responsible Lending. Lisa Donner, the executive director of **Americans for Financial Reform**, agrees. If Republicans hadn't gotten their way, 'There'd be a supervisor paying attention in a different way. We might not be seeing what we are seeing now.'"

In a Subprime Bubble for Used Cars, Borrowers Pay Sky-High Rates
Jessica Silver-Greenberg and Michael Corkery, New York Times, 7/19/14
"Auto loans to people with tarnished credit have risen more than 130 percent in the five years since the immediate aftermath of the financial crisis, with roughly one in four new auto loans last year going to borrowers considered subprime — people with credit scores at or below 640.

"The explosive growth is being driven by some of the same dynamics that were at work in subprime mortgages. A wave of money is pouring into subprime autos, as the high rates and steady profits of the loans attract investors. Just as Wall Street stoked the boom in mortgages, some of the nation's biggest banks and private equity firms are feeding the growth in subprime auto loans by investing in lenders and making money available for loans.

"And, like subprime mortgages before the financial crisis, many subprime auto loans are bundled into complex bonds and sold as securities by banks to insurance companies, mutual funds and public pension funds — a process that creates ever-greater demand for loans."

Financial Groups Look to Slow CFPB Complaint Publishing
Peter Schroeder, The Hill, 7/22/14
"Major banking and business groups are pushing to delay a contentious project by the Consumer Financial Protection Bureau that would make detailed complaints about their products public… The letter marks the beginning of what is likely to be a lengthy battle between the regulator and financial firms over the release of the complaints.

"The CFPB announced earlier this month that it was considering publishing online the details of complaints it receives from consumers. Currently, the agency's database only lists the basic information without providing specifics. Now the agency wants to go a step further, and give consumers the option to publish a detailed rundown of their grievance, while giving companies the chance to respond. In its three years of existence, the CFPB said it has collected 400,000 complaints from consumers."

Complaints About the CFPB's Complaint Database
Hester Peirce, The Hill, 7/22/14

The CFPB Is Paying Off for Consumers
Rebecca Thiess, US News, 7/24/14
"Getting credit card companies to cough up more than $1.8 billion in refunds to consumers they had cheated. Directing mortgage lenders to limit charges and stop making loans that borrowers can't afford. Cracking down on "last dollar" scams that collect up-front fees from financially desperate people for help that is never actually delivered. Establishing a consumer complaint database to track financial market trends and help consumers get individual problems addressed

"All that and more is the doing, so far, of the Consumer Financial Protection Bureau, which was created just four years ago by the Dodd-Frank financial reform law, and could not begin to wield its authority until a year after that."

The CFPB at Three: Child Prodigy
Ed Mierzwinski, U.S. PIRG, 7/21/14
"The Consumer Financial Protection Bureau (**CFPB**) turned just three years old Monday, July 21st, but when you look at its massive and compelling body of work, you must wonder: Are watchdog years like plain old dog years? Is the CFPB now a full-sized, 21-year-old adult?

"The answer is no, not yet. The CFPB is still growing and developing and adding programs and projects. The CFPB is, however, at three years old, certainly a child prodigy…

"In poll after poll (**new Lake poll** for PIRG-backed **Americans for Financial Reform**), the American people overwhelmingly support the CFPB and ongoing Wall Street oversight. Nevertheless, the CFPB remains subject to withering attacks from the financial industry whose tricks and traps led our economy into collapse."

The Enduring Success of the CFPB at Three
Amy Traub, Demos PolicyShop, 7/21/14
"Three years ago today the US Consumer Financial Protection Bureau opened its doors. It was a new government agency produced by the Dodd-Frank Act: part of Congress' attempt to address the rampant misconduct by banks, mortgage lenders, ratings agencies and other financial institutions that brought on the 2008 financial crisis and started the Great Recession. In its three years of existence, the CFPB has already forced credit card companies to return $1.5 billion to consumers that they deceived with fraudulent add on products; reformed mortgage lending rules to ensure borrowers have a genuine ability to repay their loans; and began to sue student loan companies for predatory practices, among many other accomplishments.

"The agency also handles direct consumer complaints about abusive and deceptive financial products and services—400,000 of them so far. It's a highly impressive record for a fledging agency.

"Now the CFPB wants to let consumers take their complaints public, going beyond the existing database of bare-bones information to enable consumers to provide a full narrative with context about the financial products or services they believe harmed them and how the problem has impacted their lives. Consumers can anonymously tell the whole story about the credit reporting company that refused to remove a blatant error from their report, the mortgage servicer that started a foreclosure despite a history of on-time payments, or the car dealership that marketed deceptive auto loans. The companies they are complaining against would have an opportunity post a public response that would appear alongside the complaint at the same time it is made public. Consumer participation is entirely voluntary, and "if consumers decide at any time that they would like to withdraw consent to publish their narratives, they would have that ability."

CFPB Brings Action Against ACE Cash Express for Bullying Borrowers Into Borrowing Again
Rebecca Thiess, AFR Blog, 7/21/14
"With its outrageous conduct (and its training manual), ACE Cash Express provides a fresh reminder of why the CFPB needs to write strong rules to end payday lending abuses."

DERIVATIVES, COMMODITIES & THE CFTC

CFTC Regulator Scott O'Malia 'Defecting' to Lobbying Group
Kevin Dugan, NY Post, 7/24/14
"Starting next month, he will lead the International Swaps and Derivatives Association, a lobbying cabal that looks to weaken financial reform laws put in place after the financial crisis. 'They are an incredibly successful lobbying organization, and they are successful on a level that reaches beyond just passing a bill," said Marcus Stanley, policy director for **Americans for Financial Reform**, an investor-advocacy group pushing for tougher banking rules.

"'ISDA's had a profound effect on the American financial system and the economy,' Stanley added."

Swaps Lobbyist's New CEO to Limit Role in CFTC Lawsuit
Matthew Leising and Sam Mamudi, Bloomberg, 7/23/14

CFTC's Scott O'Malia to Resign From U.S. Swaps Regulator
Silla Brush, Bloomberg, 7/22/14
"Scott O'Malia, a Republican who used his position on the Commodity Futures Trading Commission to criticize some of the agency's efforts to rein in the $700 trillion global swaps market, said he will resign next month…

"O'Malia is leaving as the CFTC transitions to a new slate of commissioners and shifts from writing to enforcing rules put in place under the 2010 Dodd-Frank Act… O'Malia was a frequent critic of the CFTC's rulemaking process under former chairman Gary Gensler, arguing often that the agency was sidestepping procedural responsibilities to assess the costs and benefits of regulations."

Swaps Regulator Bolts For Job With Bank Lobby
Benjamin Goad, The Hill, 7/23/14

ENFORCEMENT

Morgan Stanley Paying $275M To Settle SEC Charges
Associated Press, 7/24/14
"Morgan Stanley has agreed to pay $275 million to settle U.S. civil charges that it misled investors about risky mortgage bonds it sold ahead of the 2008 financial crisis. The Securities and Exchange Commission announced the settlement Thursday with the Wall Street bank. The SEC said Morgan Stanley failed to accurately disclose the delinquency status of home mortgages backing two securities deals that it financed and sold in 2007.

"The mortgages underlying the securities had a total value of about $2.5 billion, according to the SEC."

Morgan Stanley to Pay $275 Million in Mortgage Case
Matthew Goldstein, New York Times, 7/24/14
"In a regulatory filing in February, Morgan Stanley disclosed that it had reached an agreement in principle with the Securities and Exchange Commission to resolve the investigation. The S.E.C. officially approved the settlement with the filing of an administrative order on Thursday. Morgan Stanley neither admitted nor denied liability in the settlement, which does not require court approval."

Lloyds in 'Late-Stage' Discussions to Resolve Libor Investigations
Chad Bray, New York Times, 7/25/14
"The British lender Lloyds Banking Group said on Friday that it was in 'late-stage' discussions to resolve regulatory inquiries into its role in setting global benchmark interest rates, including the London interbank offered rate, or Libor.

"The settlements, if reached, would make Lloyds the latest major bank to settle accusations that its employees conspired to manipulate benchmark interest rates — a scandal that has badly damaged the reputation of several banks and cost global financial institutions billions of dollars in penalties…

"The Financial Times, citing unnamed sources, reported late Thursday that Lloyds was preparing to pay up to 300 million pounds, or about $510 million, to regulators in Britain and the United States to resolve investigations into the conduct of its employees related to Libor and that the settlement could be announced as early as next week."

Barclays Asks Court to Dismiss New York Suit Over Its 'Dark Pool'
William Alden, New York Times, 7/24/14
"Barclays, in its first legal response to the suit, which was filed last month, argued that its customers were sophisticated enough to understand that 'glossy marketing brochures' about the private market, known as a dark pool, did not reflect its actual composition. It said that the attorney general, Eric T. Schneiderman, used documents in misleading ways to draw inaccurate conclusions about high-frequency trading."

Darrell Issa's Latest Circus Has Lawmakers Shocked That DOJ Fights Fraud
Zach Carter, Huffington Post, 7/15/14

"On Tuesday, Republicans on the House Financial Services Committee took up Rep. Darrell Issa's crusade against the Department of Justice's efforts to root out petty fraud.

"'In essence, this is a government hit list!' declared Rep. Patrick McHenry (R-N.C.), in what could have been confused for a comment on drones.

"'Indefensible and irresponsible,' concluded Rep. Blaine Luetkemeyer (R-Mo.). 'If you don't like a given industry, bend your authorities and force that industry out of the financial services space, making it impossible for them to survive.'

EXECUTIVE COMPENSATION

McKesson CEO's $292 Million Golden Parachute Faces a Proxy Fight
Dawn Kopecki, Bloomberg, 7/20/14
"If McKesson were sold tomorrow and Chief Executive Officer John Hammergren were fired, he'd be eligible to walk away from the medical-products company with $292 million in severance pay—almost half of it in restricted stock and option awards that were intended as incentives to keep him on the job…"

Higher Bank Salaries Poised To Offset Brussels Bonus Cap
Daniel Schäfer, Financial Times, 7/17/14
"Four out of five European banks plan to raise executive base salaries to counter regulation-driven bonus cuts next year, potentially undermining the effectiveness of the planned variable pay cap in bringing down pay. An EU-wide bonus cap will from 2014 limit variable pay to up to twice the level of salary…

"The report highlights how European bank boards are considering ways to alter pay structures in advance of the new rules amid worries they could prompt an exodus of senior talent to overseas rivals."

FEDERAL RESERVE

Obama Running Out of Time to Fill Two Vacant Seats on Fed Board
Jeff Kearns, Bloomberg, 7/25/14
"President Barack Obama is running out of time to fill two empty seats on the Federal Reserve Board of Governors this year, just as U.S. central bankers start to lay plans to exit from record monetary easing.

"The White House hasn't nominated anyone for the seats on the seven-member board, and even someone submitted this week wouldn't be confirmed until two weeks after the Nov. 4 elections, if history is any guide: the Senate has taken an average of 119 days to confirm Obama's 10 Fed Board nominations since 2009.

"'The clock has almost run out,' said Aaron Klein, a Democratic former chief economist for the Senate Banking Committee, which approves Fed nominees…

"'If the president doesn't nominate some people shortly, it's hard to see them getting through the process before the election, and after the election the process may be significantly more difficult,' said Klein, now the director of the Financial Regulatory Reform Initiative at the Bipartisan Policy Center in Washington."

[How We Won the Janet Yellen Fight]
Kenneth Quinnell, AFL-CIO Now, 7/24/14

FINANCIAL TRANSACTION TAX & HIGH-FREQUENCY TRADING

Dark Pool Disfavor Above 50% in Poll Amid High-Frequency Fallout
Doni Bloomfield and Sam Mamudi, Bloomberg, 7/21/14
"Dark pools and high-frequency traders, two elements of the electronic U.S. stock market whose rise has been decried in books and Congress, are finding little support among financial professionals…

"High-frequency trading's impact on financial markets is viewed negatively by 50 percent of those surveyed, compared with 27 percent who see it positively. Dark pools, private venues often owned by brokers that don't publish bid and ask prices, received negative marks from 53 percent of respondents, versus 23 percent positive.

"Broker-run platforms where orders are cloaked proliferated over the last decade as mutual funds and other large investors sought ways to trade blocks of shares without giving away their intentions. Dozens of the venues exist in the U.S. today, competing for orders with 11 exchanges in a fragmented electronic network."

The Importance of Shedding Some Light on Dark Pools
Jared Bernstein, New York Times. 7/22/14
"The S.E.C.'s initial approach… was that as long as such services were fairly priced, there was neither market failure nor grounds to rein anything in. But since few investors have either the money or expertise to set up a high-frequency trading operation, those privileged few have access to information that most others lack. And that, in fact, is an age-old recipe for market failure.

"The S.E.C. now appears to be changing its tune, unveiling a sweeping package of recommendations for new rules and other changes last month that was aimed at strengthening the structure of the market and improving disclosures for investors. While it's unlikely that the current Congress would grant them a national Martin Act, the commission and other national regulators — the Federal Reserve, Consumer Financial Protection Bureau, even the Justice Department — can try to see how far they can get without such legislation.

"Given their charter as regulators, there's a lot more they can do…"

INVESTOR PROTECTION AND THE SEC

Pro-Investor Fiduciary Rule Is Stalled In Washington
David Nicklaus, St. Louis Post-Dispatch, 7/20/14
"If you invest with a broker, you probably think he or she is recommending what's best for you. Maybe so. Legally, however, your broker doesn't have to put your interests first. In the eyes of regulators, brokers are salespeople and not advisers…

"Some regulators and lawmakers have seen this as a problem for years. In 2010, Congress wrote language into the Dodd-Frank Act authorizing the Securities and Exchange Commission to impose what's known as a fiduciary standard on brokers. The

Labor Department, which has authority over retirement plans, has been considering a similar move for years.

“Both regulatory efforts have run into stiff opposition, and both keep getting moved to the back burner. The Labor Department withdrew one proposed rule in 2012 and was supposed to issue a new one this summer, but it has been delayed until January.”

Ghosts of 2008 Haunt SEC’s ‘Outsider’ as She Pushes for Tough Rules
Dave Michaels, Bloomberg, 7/21/14
“As the Securities and Exchange Commission worked overtime to finish the Volcker Rule last year, a new arrival warned her colleagues they were botching one of the key parts of the new U.S regulatory machine. Commissioner Kara M. Stein, who had recently moved to the SEC after a career on Capitol Hill, said the text was full of potential loopholes for banks to dodge the ban on proprietary trading. She let it be known she might vote against it, bottling up the rule and embarrassing SEC Chair Mary Jo White…

“Since becoming one of three Democratic appointees on the five-member commission in August, Stein has criticized the SEC - - and by extension, White -- for weaknesses in rules for crowd-funding and overseas swaps trading. She’s also questioned whether White’s plan to cut risks in money-market mutual funds, coming to a vote this week, will do more harm than good.”

Some Asset Managers Avoid Brunt of New Money-Fund Rules
Andrew Ackerman, Wall Street Journal, 7/23/14
“Asset managers that cater to individual investors are set to avoid the brunt of new money-market mutual-fund restrictions, after discount broker Charles Schwab Corp. built support for an approach to exempt companies like it from some provisions of the new rules…

“Under the SEC plan, ‘prime’ money funds whose shares are held by corporations and large institutional investors will have to abandon a stable $1-a-share price and float in value like other mutual funds, according to people familiar with the matter. Investors in these funds would risk losing principal if the share price fell. Prime funds invest in short-term corporate debt.”

After Split Vote, SEC Approves Rules on Money Market Funds
William Alden, New York Times, 7/23/14

SEC Votes To End $1 A Share For Some Money Funds
Associated Press, 7/23/14/

See AFR Statement on Final SEC Rule on Money Market Funds

SEC Considering Action Against S&P Over Ratings
Associated Press, 7/23/14
“Standard & Poor's said Wednesday that regulators have told the rating agency they are considering taking civil enforcement action against it over ratings it gave to six deals in 2011 involving securities tied to commercial mortgages.”

[SEC Tells S&P It Could Face Enforcement Action]
Timothy W. Martin, Wall Street Journal, 7/23/14

MORTGAGES, FORECLOSURES & HOUSING

How High Debt From The Housing Collapse Still Stifles Our Economy
Jim Zarrolli, NPR, 7/24/14
"Seven years after the subprime mortgage crisis, U.S. economic growth remains subdued, despite significant ongoing help from the Federal Reserve. Now two economists have come up with new evidence about what's holding the economy back. In their book *House of Debt*, Atif Mian and Amir Sufi say consumers remain constrained by debt they took on when times were good…

"In the volatile months after the subprime crisis, the Bush and Obama administrations put a lot of energy into stabilizing the financial system. The idea was to keep the banks healthy so they'd lend more. In a sense the policies worked — the banks gradually recovered. But the economy remained sluggish for a long time… *House of Debt* argues that the Obama administration should have worked harder to help struggling homeowners pare down their debt, even if it meant forcing banks to forgive part of their loans."

Authorities Crack Down on Mortgage-Relief Scams Nationwide
Jim Puzzanghera, Los Angeles Times, 7/23/14
"Federal and state officials filed lawsuits accusing dozens of companies of ripping off struggling homeowners by falsely promising help in avoiding foreclosures or lowering mortgage payments while collecting millions of dollars in illegal upfront fees. The actions came in a joint law enforcement sweep called Operation Mis-Modification, which targeted law firms and counseling services offering assistance in modifying mortgage terms and payments..

"The Consumer Financial Protection Bureau said three suits it filed against eight companies and their owners involved scams that cost homeowners more than $25 million in illegal upfront fees for services such as renegotiating mortgages or preventing foreclosures."

Regulators Accuse Firms of 'Reprehensible' Foreclosure Scams
Tim Devaney, The Hill, 7/23/14
"The **Federal Trade Commission** (FTC) and the **Consumer Financial Protection Bureau** (CFPB) announced Wednesday they are taking action against dozens of companies that they allege falsely promised to help distressed homeowners prevent foreclosure and lower their monthly payments.

"'We are taking on schemes that prey on consumers who are struggling to pay their mortgages or facing foreclosure,' CFPB Director Richard Cordray said in a statement. 'These companies pocketed illegal fees — taking millions of hard-earned dollars from distressed consumers, and then left those consumers worse off than they began. These practices are not only illegal, they are reprehensible.'

"The FTC, CFPB and several state regulators on Wednesday filed lawsuits against more than 40 law firms that they say charged distressed homeowners hefty fees in advance, which is against the law, as the companies are supposed to wait to collect their fees until after an agreement is reached with the lender."

After Foreclosure, an Effort to Repurchase a Home

DinaElBoghdady, Washington Post, 7/25/14

"After 20 years in their house, Jaime and Juana Coronel lost it to foreclosure when Jaime's landscaping work dried up in the recession and the couple fell behind on payments… The couple is asking Fannie to sell them the home at its current market value, which essentially would leave them with a smaller mortgage and lower monthly payments while positioning them to build equity if home values

"'We asked, 'Why don't you sell it to us?' " Juana said.

"But an independent regulator that holds enormous sway over the mortgage market essentially put the kibosh on those kinds of arrangements, triggering a public confrontation with the Obama administration and even a lawsuit."

CFPB Moves Forward on Expanded Reporting of Mortgage Data

Joint Statement, 7/24/14

REVOLVING DOOR & POLITICAL POWER OF WALL STREET

Wall Street Spending $1.5M a Day on Lobbying, Campaigns

Benjamin Goad, The Hill, 7/25/14

"The financial sector has shelled out more than $800 million to influence Washington via lobbying and campaign spending in the current election cycle, according to a new report from **Americans for Financial Reform**. That works out to roughly $1.5 million a day, a total on pace to eclipse Wall Street's effort four years ago to beat back the Dodd–Frank Wall Street Reform and Consumer Protection Act, the left-leaning policy group said.

"Dodd-Frank was ultimately enacted in July 2010, and the landmark statute turned four this week. But nearly half of hundreds of regulations required by the law remain incomplete, and battles persist over their final language.

"'The industry's continued high level of spending reflects the ongoing battle to reshape the financial system, and the industry's persistent efforts to repeal or win exemptions from parts of the law, to weaken implementing regulations, and to forestall further proposals for change,' the group concluded in its 40-page report."

STUDENT LOANS AND FOR-PROFIT SCHOOLS

Corinthian Outspent Harvard on Lobbying as It Faced Collapse

Laura Litvan and Kelly Blessing, Bloomberg, 7/24/14

"Corinthian Colleges Inc. lobbied for its survival until the end. The for-profit company, which agreed to shut or sell its 107 campuses after the government limited its access to student aid, spent $320,000 on lobbying in the quarter ended June 30, according to public disclosures. Corinthian spent $100,000 more than the University of California and almost twice the $165,000 outlay by Harvard University…

"'It's a classic case of a company that is not winning and perhaps cannot win its argument on the merits,' said Sheila Krumholz, executive director of the nonpartisan Center for Responsive Politics in Washington. 'That's when the money is deployed to help grease the skids on their agenda.'"

Corinthian College's Employee: We Work for the Biggest Scam Company in the World

Ashlee Kieler, The Consumerist, 7/24/14

"Like the Corinthian students we recently spoke to, the teachers and employees at CCI schools, despite dedicating themselves to helping students, will live in the failed company's shadow for years to come."

Ex-U.S. Attorney Patrick Fitzgerald to Monitor Corinthian

Stephanie Gleason, Wall Street Journal, 7/21/14

"Former U.S. attorney Patrick J. Fitzgerald has been appointed to oversee Corinthian Colleges Inc. (COCO), as the for-profit education company winds down its operations.

"Mr. Fitzgerald, who prosecuted a pair of Illinois governors, including Rod Blagojevich, will review Corinthian's expenditures, budgets, projections and student databases, as well as any documents Corinthian provides to potential purchasers of its campuses. Mr. Fitzgerald will report back to the U.S. Department of Education.

"The appointment was part of a deal between Corinthian and the Education Department that granted the company access to $16 million at first and then $35 million, after a 21-day hold on access to federal funds threatened the company's viability."

Heald, Other Corinthian-Owned Colleges Continue To Recruit Students As Company Closes

Katy Murphy, San Jose Mercury News, 7/24/14

Record Student-Loan Debt Prompts Treasury Push to Stem Defaults

Kasia Klimasinska and Janet Lorin, Bloomberg, 7/24/14

"The U.S. Treasury, which finances more than 90 percent of new student loans, is exploring ways to make repayment more affordable as defaults by almost 7 million Americans and other strapped borrowers restrain economic growth.

"Leading the effort is Deputy Secretary Sarah Bloom Raskin, who became the department's No. 2 official in March after more than three years as a Federal Reserve governor. As higher-education debt swells to a record $1.2 trillion, Raskin, 53, is alert to parallels to the mortgage crisis.

"Back then, 'we would see signs on telephones polls with 1-800 numbers urging homeowners to call to stop foreclosures. People generally got into more trouble when they used those services,' she said in an interview. Driving past the same telephone poles recently, she saw signs 'urging people to call a 1-800 number for helping paying student loans.'"

SYSTEMIC RISK

Fed Proposal to End Bailouts Falls Short
Marcus Stanley and Mark Calabria, The Hill, 7/24/14
“When Congress examined this issue during the Dodd-Frank Act, they placed new limits on emergency lending that are contained in Section 1101 of the legislation. These limits are clearly intended to limit 13-3 lending to programs that are truly broad based (as opposed to bailing out a small set of insider Wall Street institutions), and to exclude the use of the program for ‘bailouts’ of institutions that are actually insolvent. While **Americans for Financial Reform** and the Cato Institute disagree on many questions about Dodd-Frank, we do agree these new limitations are important steps forward in improving the accountability of both Wall Street and the Federal Reserve.

“We also agree that the Federal Reserve’s implementation of these new limits on emergency lending is totally unsatisfactory and inadequate…”

GAO Study Expected to Say Big Banks' Subsidy Has Shrunk (For Now)
Donna Borak and Victoria Finkle, American Banker, 7/22/14
"The highly anticipated Government Accountability Office report, requested by Sens. Sherrod Brown, D-Ohio, and David Vitter, R-La., is the second part of a study begun last year to ascertain the advantages the largest banks receive due to their perceived 'too big to fail' status...

"Observers said that even if the GAO concludes the subsidy is lower, it is unlikely to offer its own specific estimate.

"'I would be very surprised if this GAO report comes out and says that 'too big to fail' banks don't have any market advantage [and] there is no implicit backstop,' said Marcus Stanley, policy director of the **Americans for Financial Reform**. "On the other hand, they may not feel confident putting an exact number on the value of the backstop. The GAO tends not to want to pin themselves down analytically."

EU Banks Set to Win Nine-Month Basel Liquidity Reprieve
Jim Brunsden, Bloomberg, 7/24/14

Carney Leads Push To Break ‘Too Big To Fail’ Impasse
Sam Fleming, Ben McLannahan and Gina Chon, Financial Times, 7/20/14
“Officials led by Mark Carney, the Bank of England governor, are attempting to bridge sharp differences among leading G20 countries as they prepare a landmark set of proposals aimed at tackling the problem of ‘too big to fail’ banks.”

OTHER TOPICS

Senate Inquiry Faults Hedge Funds’ Tax Strategy
Alexandra Stevenson, New York Times, 7/22/14
“A Senate investigation has found that hedge funds — in particular, James H. Simons’ Renaissance Technologies — used complex financial structures to claim billions of dollars in tax savings. Between 1998 and 2013, more than a dozen hedge funds conducted hundreds of billions of dollars in trades using hundreds of structures, known

as 'basket options,' created by Barclays and Deutsche Bank, the Senate Permanent Subcommittee on Investigations said in a report on Monday. Over a period of more than a decade, Renaissance avoided more than $6 billion in taxes alone, the subcommittee estimated in the 93-page report…

"The basket options under scrutiny were structured as accounts that allowed hedge funds to bypass taxes on short-term trades. Barclays and Deutsche Bank used the options to build special accounts for their hedge fund clients in their own names and claimed they owned the assets when it was, in fact, the hedge fund clients that exercised full control of the assets, determining each trade and reaping all the profits, the Senate investigation found."

Wall Street's New Enforcers Aim to Muzzle Whistle-Blowers
Jordan Thomas and Tom Devine, New York Times, 7/21/14
"As Dodd-Frank has steadily increased the probability of detection, companies have become more sophisticated and aggressive in their efforts to discourage employees from reporting possible violations to the S.E.C. and other authorities. The legal countermeasures being deployed include a variety of employment, severance and settlement agreements that weaken both new and existing whistle-blower programs."