Americans for Financial Reform

This Week in Wall Street Reform | June 30–July 6

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THE TRUMP ADMINISTRATION, CONGRESS & WALL STREET

[This Supreme Court candidate could reverse a century of financial regulation](#) **| NBC News**
The prospect of a Justice Kavanaugh worries some consumer advocates, who say he has taken an activist position against the Consumer Financial Protection Bureau, the regulator implemented in the wake of the Great Recession in the hopes of thwarting future financial meltdowns…

Lauren Saunders, associate director of the National Consumer Law Center, said that the center doesn't weigh in on potential judicial appointees, but that open hostility to the agency's mission would be cause for concern. "Obviously, it would be concerning if there was a justice that was inclined to invalidate the CFPB," she said.

[How Pat Toomey could shape banking policy](#) **| American Banker**
If Republicans manage to hold onto their majority in the Senate after the November midterms, 2019 could still bring a new chairman to the Senate Banking Committee. With Sen. Orrin Hatch, R-Utah, retiring, Sen. Mike Crapo, R-Idaho, who currently chairs the banking panel, may want to pursue Hatch's gavel on the Senate Finance Committee, which is viewed as a more prominent post. That would leave an opening on the Senate Banking Committee that would likely go to Sen. Pat Toomey, R-Pa.

Additionally, Toomey has expressed interest in easing regulatory burdens in capital markets. But he acknowledged the passage of major legislation in that area would face an uphill battle in Congress, particularly if the House switches to a Democratic majority.

CONSUMER FINANCE AND THE CFPB

[Battle over CFPB leadership ends as Mulvaney challenger resigns](#) **| Politico**
CFPB Deputy Director Leandra English will drop her months-long legal challenge to Mick Mulvaney for the leadership of the embattled agency, saying on Friday that she will leave the consumer watchdog early next week.

In a statement, English said she was stepping down in light of President Donald Trump's nomination of a permanent director, Kathy Kraninger, to run the Consumer Financial Protection Bureau.

"Leandra English courageously stood up for the independence of the Consumer Financial Protection Bureau at a particularly difficult and challenging time," said Linda Jun, senior policy counsel at **Americans for Financial Reform**.

Trump Pick for CFPB Chief Gains GOP Support in Senate | Wall St. Journal
Senate Banking Committee Chairman Mike Crapo (R., Idaho), on Friday announced a July 19 hearing on Ms. Kraninger's nomination. Senate aides said the committee could vote to send her nomination to the full Senate by the end of July. If approved by the committee, she would join a long queue of presidential nominees awaiting final approval by the Senate.

Kathy Kraninger Is the Wrong Choice to Lead the CFPB | National Review (J.W. Verret)
Kraninger's lack of relevant qualifications is especially problematic in choosing her to serve as director of the CFPB, a post that the U.S. Court of Appeals for the D.C. Circuit last year deemed the "second-most powerful" in the entire federal government, behind only the presidency. It is also disquieting in that this will be the first time a Republican nominee will take the helm at the CFPB, which was created in the mold of Senator Elizabeth Warren and quickly filled with career staff who demonstrated loyalty to Senator Warren's progressive philosophy.

Mulvaney's CFPB News Releases Embrace Industry's Yearning for Soft Touch | National Law Journal
"Based on the small sample of enforcement actions under Mick Mulvaney, even its now-terse enforcement press releases fail to explain the wrongdoer's violations and the consumer harms they result in," said Mike Litt, director of the U.S. Public Interest Research Group's campaign to defend the CFPB.

Auditor Dings CFPB Complaint System for Poor Identity Management | Nextgov

Payday-Loan Mogul Indicted for Masterminding Phantom Debt Scheme | Bloomberg
A one-time payday-loan mogul was indicted on federal charges that he made up millions of fake debts and sold them to bill collectors, victimizing people across the country. Joel Tucker, 49, was able to pull off the scheme because he already had his victims' personal information from loan applications, according to an indictment unsealed June 29 in Kansas City, Missouri. But many of those people never took loans, let alone failed to pay them back, and Tucker didn't own the loans anyway, prosecutors said. From 2014 to 2016, he earned $7.3 million from packaging and selling the information to collectors, they said.

Enforcing the Fair Credit Reporting Act Through Private Actors | Regulatory Review
That lack of remedy is a fundamental flaw of the FCRA, according to Alexandra P. Everhart Sickler, a professor at the University of North Dakota School of Law. In a recent paper, Sickler claims that the enforcement mechanisms of the FCRA fail to promote accurate credit reporting. Under the Act, furnishers—parties that provide information to credit reporting agencies like Equifax—must ensure that the information is accurate. Consumers, however, are barred from enforcing this provision. Sickler proposes that Congress create and structure a private right of action to increase accurate reporting by furnishers.

House Republican Wants to Ensure Postal Banking Plan Stays Dead | NAFCU
House Chief Deputy Whip Patrick McHenry, R-N.C., called postal banking "a terrible idea" and requested that President Donald Trump's special task force on postal reform issue a prohibition on any such programs, enhancements or expansions in a letter sent to Treasury Secretary Steven Mnuchin Wednesday.

McHenry, who also serves as vice chairman of the House Financial Services Committee, cited research indicating that postal banking would "create a government subsidy that puts taxpayers on the hook to finance." He further noted the massive data breach at the Postal Service that jeopardized nearly 1 million customers and employees' personal data, and an audit that found "insufficient controls" in place to stop money laundering schemes.

How to build a more equal bank | American Banker (Karen Shaw Petrou)
Ten years on from the financial crisis, too many Americans are still unbanked, underbanked or even badly banked. This doesn't just mean that sound financial services are hard to find for certain communities, including low- and moderate-income households, minorities, the disabled and others. It also means that financial services do not advance income and wealth equality by providing living returns on savings accounts or sustainable credit for low-balance, higher-risk mortgages, small-business startups and other critical equality-enhancing needs.

The bottom line is that unequal financial services are creating an even more unequal America, with still deeper social and political discord. Either private banks must solve this problem or a government body — be it the post office, the Federal Reserve, state-government banks or others — will enter or even take over consumer banking. This is particularly true given that the U.S. is already the most unequal of all of the advanced market economies.

Square quietly withdraws bank application | American Banker
The payments processor Square confirmed Thursday that it has withdrawn its application to open a depository bank, although it plans to refile with a top regulator at a later date.

The fintech startup first submitted its application to the Federal Deposit Insurance Corp. to create an industrial loan company last September. But Square no longer appears on a public list of pending new bank applications maintained by the agency.
A Square spokesperson told American Banker on Thursday that the San Francisco company plans to refile after it bolsters its application.

Pressure mounts on FDIC, Fed to follow OCC's small-dollar lead | American Banker
The Office of the Comptroller of the Currency's May bulletin authorizing national banks to compete with payday lenders was seen as a welcome move by industry groups, but it has prompted new questions about whether other regulators will follow suit.

The OCC bulletin encouraged federally chartered banks to make small-dollar loans of 45 days or more in an attempt to remove regulatory roadblocks that have contributed to banks avoiding the installment lending space. Yet there remains skepticism by some about whether banks will try to take market share from payday lenders.

'A way of monetizing poor people': How private equity firms make money offering loans to cash-strapped Americans | Washington Post
Within a year, the company, Mariner Finance, sued Huggins for $3,221.27. That included the original $1,200, plus an additional $800 a company representative later persuaded him to take, plus hundreds of dollars in processing fees, insurance and other items, plus interest. It didn't matter that he'd made a few payments already.

Mass-mailing checks to strangers might seem like risky business, but Mariner Finance occupies a fertile niche in the U.S. economy. The company enables some of the nation's wealthiest investors and investment funds to make money offering high-interest loans to cash-strapped Americans.

Borrowers Sue Lender Over Loans, 'Rent-A-Tribe' Scheme | Law 360
An internet lending company is attempting to "rent" a Michigan-based tribe's sovereign

immunity as a litigation shield against allegations it flouted lending and racketeering laws by charging illegally high interest rates on payday loans, a proposed class of borrowers said in a lawsuit filed in Georgia federal court Tuesday.

Named plaintiffs Victoria Renee McKoy and Desiree Wright Lovins received short-term loans for $800 and $300, respectively, from Big Picture Loans LLC, according to their suit. But a customer service representative failed to tell them they would be charged more than 550 percent in interest, which was automatically withdrawn from their bank accounts. They allege Big Picture's business practices violate several laws, including Georgia's Payday Lending Act and the Racketeer Influenced and Corrupt Organizations Act.

CFPB's compliance approach makes regulatory guidance unreliable: MBA | American Banker

CFPB Structure Is Unconstitutional, 5th Circ. Hears | Law 360

AG Joins Effort To Fight Legislation Terminating States' Ability To Prevent Abusive Lending Practices | Los Alamos Daily Post
The coalition of 20 AG's sent a letter to leadership in the U.S. Senate expressing their opposition to the proposed legislation, which would invalidate the States' ability to limit interest rates on payday and other high interest loans, and undermine the State's ability to enforce consumer protection laws.

As the Attorneys General expressed in the letter, HR 3299 and HR 4439 would constitute a substantial expansion of the preemption of state usury laws, which have long been recognized as the purview of the individual States. Over decades, States have crafted laws that create a careful balance between the need for access to credit and the need to ensure that loans are offered on terms that do not create consumer harm.

Leave payday loan regulations to states, attorneys general say | The Daily Sentinel
Republican Colorado Attorney General Cynthia Coffman and her Democratic counterpart in Massachusetts, Maura Healey, are leading a bipartisan effort of state attorneys general urging Congress not to pass two proposed bills that could impact how states limit interest rates on payday loans.

The 20 attorneys general said in a letter to U.S. Senate leaders last week that two bills they are considering — HR 3299, Protecting Consumers' Access of Credit Act of 2017, and HR4439, Modernizing Credit Opportunities Act — would allow non-bank lenders to sidestep state usury laws.

INVESTOR PROTECTION, THE SEC, AND RETIREMENT SAVINGS

State Treasurers Urge SEC to Maintain Investors' Right to Sue | Bloomberg
State treasurers from California, Illinois, Iowa, Oregon, Pennsylvania and Rhode Island are joining a push to persuade U.S. Securities and Exchange Commission Chairman Jay Clayton to uphold the agency's longstanding position against mandatory shareholder arbitration clauses.

In a letter dated July 2, the treasurers led by California's John Chiang expressed concern about reports that the SEC was considering a change in the policy. The officials, who manage state funds and investments, said they want to keep the right to sue on behalf of the public when securities laws are violated.

Regulators Step Up Scrutiny of Sales of Private Stakes | Wall St. Journal
Regulators are stepping up enforcement on the sale of private stakes in companies, following a Wall Street Journal investigation that found securities firms with unusually high numbers of troubled brokers selling tens of billions of dollars a year of these investments, often targeting seniors.

The SEC takes executive compensation seriously | Alphaville
In case it slipped past, the Securities and Exchange Commission took Dow Chemical to task this week, fining the company $1.75m after alleging "Dow did not ensure that approximately $3 million in executive perquisites were adequately evaluated and disclosed" between 2011 and 2015...

Andrew Liveris, recently appointed to the Saudi Aramco board, was the longstanding chief executive of Dow who presided over its first dividend cut in 97 years. Back in 2013 we highlighted his $99m of pay in the preceding five years, and general membership of the great and good on behalf of Dow.

How the SEC could target Facebook | Washington Post
A Securities and Exchange Commission investigation into Facebook's sharing of data with political consultancy Cambridge Analytica could put every public utterance on the issue by company executives, including chief executive Mark Zuckerberg, under close examination, securities law experts say. The SEC is likely to examine whether the company and its executives fully disclosed to shareholders the risks posed by its relationship with Cambridge Analytica, the experts said. That would include reviewing years of documents Facebook has submitted to the SEC describing its financial conditions and the business risks it faced. It would also include any public statements its executives have made to the media or Congress, they said.

Pinpointing which firms fudge earnings numbers and why | The Hill (Delphine Samuels)

MORTGAGES AND HOUSING

CFPB set to issue HMDA guidance this summer | American Banker
The Consumer Financial Protection Bureau plans to issue guidance later this summer on how it will give community banks partial exemptions from Home Mortgage Disclosure Act requirements.

The CFPB and the Office of the Comptroller of the Currency issued identical press releases Thursday informing banks and financial firms about the status of the forthcoming HMDA guidance. HMDA data has been collected since 1975 to help root out discrimination in mortgage lending.

The guidance follows passage of a regulatory relief law in May that exempts an estimated 85% of all banks from expanded HMDA requirements mandated by the bureau under former Director Richard Cordray. The change aids institutions that originated fewer than 500 closed-end mortgages in each of the two prior calendar years and institutions that originated fewer than 500 open-end lines of credit over the same period.

PRIVATE FUNDS

Bain Capital, KKR should pay up for Toys R Us letdown | Pitchbook (Adam Lewis)
No, it wasn't Bain Capital or KKR that opted to liquidate the famed children's toys retailer. Blame creditors for that. And it wasn't Bain or KKR's fault that the toy industry was disrupted by the rise of Amazon and other online retailers. Neither firm has any legal obligation to pay the laid-off employees.

But would it really be that hard? KKR in 1Q reported $365 million in economic net income, which represents the mark-to-market valuation of their combined holdings. As a private entity, Bain Capital doesn't report its ENI, but it's safe to say the firm is not hurting for cash.

Both deserve blame for saddling Toys R Us with roughly $5 billion in debt when they teamed with Vornado Realty Trust in 2005 to take the business private for some $6.6 billion. Over the next 12 years, the trio didn't pay down that debt on a deal that was leveraged at a heavy 7.2x debt-to-EBITDA ratio, per The Wall Street Journal.

Lawmakers Question KKR, Bain Capital Over Toys 'R' Us Failure | Wall St. Journal
Nineteen members of Congress sent a letter to the private-equity backers of Toys "R" Us Inc. questioning their role in the toy retailer's bankruptcy and criticizing the leveraged-buyout model as an engine of business failure and job loss.

The July 5 letter was addressed to the heads of KKR & Co., Bain Capital and Vornado Realty Trust and signed by 18 Democratic members of the House of Representatives and Sen. Bernie Sanders (I., Vt.).

It asks whether the investment firms deliberately pushed Toys "R" Us into bankruptcy and encourages them to compensate the roughly 33,000 workers who lost their jobs.

Will the Tax Act Set Back Private Equity? | American Prospect (David Dayen)
Section 13301 of the Tax Cuts and Jobs Act spans only 12 of the legislation's 503 pages [but] could affect the lives of millions of Americans. It could radically upend the balance sheets of some of the most powerful financial institutions in the country. It's hard to know at this point exactly how these firms will compensate for the changes. But it does show how small shifts in the tax laws can have wide-ranging, unanticipated consequences.

What does Section 13301 do? It limits the ability of corporations to deduct interest payments from their overall taxes. Previously, companies could take all of their interest payments as a deduction, making financing operations through debt more desirable than through equity. Those days are now over.

This obviously affects any company that uses debt financing, of which there are many. But it really targets the masters of debt in the modern economy: the private equity industry, which uses borrowed money to purchase companies—and, some would say, suck them dry.

Pension funds question PE firms' return inflating methods | Deal Street
Discontent has been simmering for a couple of years, but now the California Public

Employees' Retirement System and others are more forcefully pressing their case. The dispute centers on a common — and legal — practice: To make an investment, private equity funds are increasingly borrowing against clients' commitments, then asking for the cash later.

REGULATION IN GENERAL

Voters' Distrust of Legislators Drives Agency Lawmaking | Regulatory View (Patrick Reischl)
As typically explained by legal scholars, Congress delegates lawmaking power to agencies because agencies are staffed with specialists that can devote their time to complex issues, such as the optimal dosage of a new drug or the safest level of ozone in the air, which may be beyond the capacity of a body like Congress.

But if expertise were the sole reason to delegate authority to an agency, Stiglitz asks, then why has Congress not simply expanded its own capacity for expertise? For example, Congress could appropriate money to a congressional office devoted to pharmaceutical regulation that could then advise Congress on appropriate legislation.

Stiglitz suggests that Congress delegates to agencies not because it lacks the ability to make informed decisions, but because it lacks the public's trust.

This is particularly important where the public may distrust a legislator's impartiality in regulating wealthy industries that make major political contributions, such as the financial services or pharmaceutical industries.

Here's how we'll recover from Trump | Washington Post (Jennifer Rubin)
The non-partisan organization Protect Democracy, appropriate to Independence Day, on Wednesday put out an ambitious proposal entitled, Roadmap for Renewal: A Legislative Blueprint for Protecting our Democracy. It might as well have been titled "What We Do to Fix Trump's Mess," for it posits that the grave damage President Trump has done to our democratic norms and institutions won't be solved by his departure or by voting out the Republican majorities that have enabled him. Certain proposals will appeal to people of a certain political persuasion. Eli Lehrer, who heads the libertarian R Street think tank, tells me he doesn't agree with all of the blueprint. However, "The idea of creating a congressional regulation office and having Congress play a role in overseeing the administrative state would be a huge triumph for our constitution and democracy." He notes, "Presidents have clawed power away from the legislature for decades. It remains to be seen how much power Congress can regain. In some cases, as with war powers and immigration, Trump does seem to be intent on grabbing more."

Tech mobilizes against California privacy law | The Hill

STUDENT LOANS AND FOR-PROFIT SCHOOLS

Student loan servicing giant seeks industrial bank charter | American Banker
Nelnet, the nation's largest servicer of federal student loans, has filed an application to establish a Utah-chartered industrial bank.Nelnet, of Lincoln, Neb., said Thursday it filed

applications with the Utah Department of Financial Services and the Federal Deposit Insurance Corp.

Struggling For-Profit School Operator Was Generous to Top Executives | Wall St. Journal
Education Management Corp. paid Chief Executive Mark McEachen more than $14 million as the company he stepped in to lead sold off its business and prepared to shut down.

A for-profit school operator, Education Management was already facing lawsuits and fretful regulators when Mr. McEachen accepted the CEO role in September 2015. Within months, the Pittsburgh company agreed to $200 million worth of settlements with state and federal regulators.

Not long after, it began the process that led to the closure or sale of the schools and, last week, bankruptcy for the company.

California Attorney General charges one of the nation's largest student loan servicers for violating state laws | EdSource (Solomon Moore)
California Attorney General Xavier Becerra filed a lawsuit on Friday against Navient Corporation, one of the nation's largest student loan companies, for alleged misconduct in servicing loans for California borrowers, including false advertising and multiple other practices.

DeVos Delays State Authorization Rules | Inside Higher Ed (Lindsay McKenzie)

85 Colleges Kept Aid After DeVos Restored Accreditor | Inside Higher Ed (Andrew Kreighbaum)
Eighty-five colleges overseen by the Accrediting Council for Independent Colleges and Schools would likely have lost access to federal student aid -- and most of their revenue -- if Education Secretary Betsy DeVos had not opted to temporarily reinstate the accreditor earlier this year.

DeVos goes deep with anti-regulatory mission at Education Department | NBC News
Education Secretary Betsy DeVos is expected to take new steps as early as this week toward reversing Obama-era protections for students in debt to for-profit schools, including those that go out of business. It's the latest in a broader effort by DeVos to recast the mission of her department and to relax safeguards intended to protect economically vulnerable students.

SYSTEMIC RISK

Morgan Stanley, Goldman Got Help From Fed on Stress Tests | Wall St. Journal
Federal Reserve officials told Goldman Sachs and Morgan Stanley that they were about to flunk a portion of the annual stress tests but offered them a deal to avoid an outright fail and continue paying billions to shareholders.

In phone calls to executives of the Wall Street titans on June 21, regulators told them that to fully pass the test, they would have to cut almost in half the combined $16 billion they had hoped to pay out to shareholders, according to people familiar with conversations between the Fed and both banks.

But Fed officials gave the banks an unprecedented option: If they agreed to freeze their payouts at recent levels, they would get a "conditional non-objection" grade and avoid the black eye of failure. That meant the banks could pay out a combined $13 billion, or about $5 billion more than what they would have given back to investors if they had decided to retake the test and get a passing grade.

Fed Offered Goldman, Morgan Stanley Path Around Stress-Test Failure | Wall St Journal
It was one of the clearest signs to date of a significant shift in the regulatory environment for banks, which have been expecting a gentler approach from Washington ever since the election of President Donald Trump.

The arrangement—allowing the banks to keep their capital payouts level while dodging a public rebuke by the Fed—is the first of its kind in the eight years of the Fed's annual tests and will steer billions of dollars to shareholders of both banks. Other banks in the past have been able to keep their capital payouts steady after failing the quantitative portion of the stress test. Put another way, Goldman and Morgan Stanley got the same outcome without the black eye of a formal failing grade.

It also will boost a profitability measure that helps determine how much Goldman Chief Executive Lloyd Blankfein and Morgan Stanley CEO James Gorman are paid.

Not Stressing the Stress Tests | Bloomberg
Here is a weird story about how Goldman Sachs Group Inc. and Morgan Stanley managed to pass the Federal Reserve's stress tests without actually getting a passing score. Goldman and Morgan had asked to return about $16 billion to shareholders between them, but that would take their stressed capital levels below the minimum requirements on the stress test. So the Fed called them and said that if they cut those requests in half—to about $8 billion—then they'd get passing grades. But it also offered them another choice,..

What Are the Bank Stress Tests | Motley Fool
In this clip, Industry Focus: Financials host Shannon Jones and Fool.com contributor Matt Frankel discuss what the stress tests are and which banks they apply to.

Bank 'Stress Tests' Results Clear Way for Wall Street to Reward Investors | NY Times
The banks will almost certainly use their collective success to amplify their argument that, 10 years after the financial crisis, they do not need to be as tightly regulated, and that they deserve relief similar to what their much smaller peers received earlier this year when President Trump signed a bill easing parts of the Dodd-Frank law, the landmark bank oversight legislation enacted in 2010.

The six largest American banks got permission to pay out a combined sum of more than $125 billions in the form of increased dividends, which reward investors for every share of stock they own, and share buybacks, which increase the value of a company's stock by reducing the number of shares outstanding.

The only bank to fail the stress test was the American arm of Germany's Deutsche Bank, which Fed officials sharply criticized for "widespread and critical deficiencies" in how it handles its capital and manages its finances.

Stress Test Results Signal More Flexible New-Look Fed | NY Times
This year's Federal Reserve stress test results suggested a more flexible approach, a further sign the regulator's new leadership is responding positively to a Wall Street push for pragmatic bank supervision, analysts and lawyers said.

Goldman Sachs and Morgan Stanley were dinged since their capital fell below the Fed's minimum, but the regulator's response this year sounded a more industry-friendly tone under Chairman Jerome Powell and Vice Chairman Randal Quarles, President Donald Trump appointees, analysts and lawyers said.

Goodbye Regulations, Hello Impending Global Financial Crisis | Truthout (C.J. Polychroniov)
There have been a number of excellent analyses of the impact of the "The Economic Growth, Regulatory Relief, and Consumer Protection Act" by the **Americans for Financial Reform**, Demos, Better Markets and other organizations. These analyses show that the most likely effects of the law will be to allow financial institutions to more easily once again engage in "predatory lending" of the type that pushed excessively large and costly mortgages onto those who didn't want them and couldn't afford them; to more easily engage in redlining that discriminates against people of color in providing financial services; to more easily hoodwink investors by selling them risky financial investments; and to reduce the capital cushions on financial institutions so that it would make it more likely that these institutions would have to go hat-in-hand to the Federal Reserve and Treasury (i.e., the taxpayers) to get bailed out next time there is a financial crisis.

Banks Get Stress Tested. So Should Asset Managers. | Bloomberg (Mark Gilbert)
In the decade since the financial crisis, the banking industry has been subjected to regular stress tests designed to prevent finance from ever again trashing the global economy. But the asset management industry has escaped similar scrutiny. That may be about to change -- in Europe, at least. Recent industry trends have heightened the need to assess the resilience of asset managers to shocks. The sheer size of the industry, as demographic trends make the pool of global savers bigger, older and richer, means assets under management are equal to about one year of total world economic output and have grown by almost 50 percent since the start of the decade.

Personal loans surge to a record high | American Banker
Personal loans surged to a record this year and are the fastest-growing U.S. consumer-lending category, according to data from credit bureau TransUnion. Outstanding balances rose about 18% in the first quarter to $120 billion. Fintech companies originated 36% of total personal loans in 2017 compared with less than 1% in 2010, Chicago-based TransUnion said.

TAXATION

We Need a Financial Transactions Tax Before It's Too Late | RollingStone (Matt Taibbi)
Thanks to low interest rates, Trump's tax cuts and a financial unsafe-sex atmosphere where regulatory oversight is almost nonexistent, companies are borrowing massive amounts and encouraging waves of stock buybacks, sending an already insane market to worrisome new heights.

That $6.3 trillion debt bomb upon which corporate America is sitting is now bigger than any in history, eclipsing even pre-2008 levels. The national “economic miracle” Trump keeps lauding is – like his own financial empire – resting on a bed of borrowed cash.

OTHER TOPICS

Are False Statements Enough to Prove Fraud? | NY Times
The Supreme Court will take up that issue this year when it hears an appeal in Lorenzo v. Securities and Exchange Commission, and the justices’ decision could result in cutting back on the scope of Rule 10b-5, the primary federal securities fraud prohibition. The decision could affect how the S.E.C. pursues fraud cases when defendants are accused of making false statements to investors.

A Record $2.5 Trillion in Mergers Were Announced in the First Half of 2018 | NY Times
Four of the 10 biggest deals were struck in part to fend off competition from the largest technology companies as the value of acquisitions announced during the first six months of the year increased 61 percent from the same period in 2017, according to data compiled by Thomson Reuters. That has put mergers in 2018 on pace to surpass $5 trillion, which would top 2015 as the largest yearly total on record.

Prosecutors defend fraud convictions of former bank execs | Washington Post
Prosecutors are urging a judge not to overturn the fraud and conspiracy convictions of four former executives for the only financial institution to be criminally charged in connection with the federal bank bailout program. Defense attorneys say the evidence against the former Wilmington Trust executives wasn’t strong enough to support a jury’s guilty verdicts. They also say errors during the trial warrant the convictions being overturned, or a new trial. In a response this week, prosecutors say the verdict was proper and that the defendants knew what they were doing was wrong. Prosecutors say that after the 2008 financial crisis, bank executives misled regulators and investors about Wilmington Trust’s massive amount of past-due commercial real estate loans before the bank was hastily sold in 2011 while bordering on collapse.

White House Proposal to Merge Departments of Education, Labor Carries Troubling Implications | Coalition for Sensible Safeguards (Craig Sandler)
Recently, the White House released a plan to merge the Department of Education (DoE) and the Department of Labor (DoL) into a single agency: the Department of Education and Workforce. This proposal is a component of the White House’s plan restructure the federal government in order to, in the words of Office of Management and Budget Director Mick Mulvaney, “make government lean, accountable, and more efficient.” Like many of this administration’s initiatives, the proposal carries with it some deeply troubling implications.