AFR Americans for Financial Reform

This Week in Wall Street Reform | May 20—June 2, 2017

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TRUMP ADMINISTRATION, CONGRESS, AND WALL STREET

Trump Budget Would Scrap Fund for Failing Banks and Slash CFPB | PoliticoPro
Some $35 billion can be saved over a decade by heading off costly bank bailouts and reversing "burdensome regulations" that hinder innovation and make it harder for Americans to borrow, according to the document released Tuesday. These include deep cuts in the CFPB.

The document acknowledges that the savings are contingent upon the implementation of recommendations that Treasury Secretary Steven Mnuchin will make to the president following his four-month review of financial regulations.

See AFR statement, **Budget Takes Aim at CFPB and Student Loan Holders**

Democrats Seek Answers from Deutsche on Trump, Russia | PoliticoPro
Democrats on the House Financial Services Committee led by Rep. Maxine Waters of California asked Deutsche Bank Chief Executive John Cryan in a letter yesterday to publicly affirm that the bank has conducted a review of Trump's accounts and those of his family as well as a review of a Russian "mirror trading" scheme. They asked for documents related to both issues.

"It is critical that you provide this Committee with the information necessary to assess the scope, findings and conclusions of your internal reviews," they said.

The lawmakers set a June 2 deadline for a response.

Mnuchin's Recruiting Tool: Titles That Don't Need Senate Confirmation | Bloomberg (Saleha Mohsin)
Treasury Secretary Steven Mnuchin is trying to fill a leadership vacuum in his department by increasingly recruiting financial industry executives for senior positions that come with a perk: a title that doesn't require Senate confirmation. Mnuchin has so far hired four people as top aides with the title "counselor," including Craig Phillips, an ex-BlackRock Inc. executive and Hillary Clinton fundraiser.

Several Senate Democrats have said they'll oppose Sigal Mandelker, his choice to lead the Treasury unit that fights money laundering, oversees sanctions policy and houses a financial crimes enforcement office, until the department has fulfilled the Senate Intelligence Committee's request for documents related to the Russia investigation.

President Trump Moves Closer to Stated Goal of Repealing Dodd-Frank | NPR
DAVID GREENE: OK. So Republicans [are] making the argument that this law has created something worse and not better that might actually put us back into a crisis. Are the people who crafted and have been defending Dodd-Frank, do they totally disagree with that notion?

WESSEL: They totally disagree. They say, look, we've done a lot to prevent another crisis, but we can't be sure we'll avoid one. Killing orderly liquidation authority is like saying because we have better building codes, we should do away with firehouses. It's crazy. Ben Bernanke, the former Fed chairman – and I should say a colleague of mine at Brookings – says doing away with OLA would be imprudently putting the economy and financial system at risk...

BEN BERNANKE: The orderly liquidation authority provides us for the first time with a set of rules and a framework for safely winding down a distressed systemically important firm which of course is the essence.
WESSEL: He says bankruptcy judges can't handle this stuff.

House Poised To Roll Back Dodd-Frank Financial Reform All Things | NPR "All Things Considered"
The nearly 600 page bill de-fangs Dodd-Frank by repealing the so-called Volcker Rule which prevents government-insured banks from making risky bets with investments. And it rolls back a requirement that retirement advisers put their clients' interests ahead of their own.

Perhaps the biggest partisan flashpoint – the bill scales back the authority of the Consumer Financial Protection Bureau to regulate large banks and payday lenders. The CFPB was created under Dodd-Frank and designed to operate as an independent watchdog with a single director.

Financial Choice Act is a Wrong Choice | Athens Banner-Herald (Orson Aguilar)
Democrats in Congress have vowed to oppose the Financial Choice Act as it heads to the full House and Senate. The threat of a Senate filibuster could force some changes – especially if the public is alerted to the harm it could do.

While the Financial Choice Act would not kill the Consumer Financial Protection Bureau, it would destroy its independence, putting it under the thumb of politicians who get millions in campaign contributions from the very bankers it regulates.

"It is an enormous package of gifts for Wall Street and the worst actors in finance," Lisa Donner, executive director of **Americans for Financial Reform**, told The New York Times.

She's right. Congress and the White House must hear loudly and clearly that voters don't want to go back to the bad old days.

House Republicans to Drop Debit Rule Repeal | Politico
House Republican leaders will drop language from a sweeping bank deregulation bill that would have eliminated a cap on debit card swipe fees, handing a major victory to retail lobbyists who spent months trying to kill the provision.

The issue forced lawmakers to choose between the banks, which wanted to repeal the regulation from Dodd-Frank, and retailers, which were fighting to keep it alive. Both sides claimed billions of dollars were at stake, and in the end, the banks lost.

Moneyed Interests | Fort Wayne Journal-Gazette (editorial)
Republican House leaders on Wednesday dropped language from a massive financial deregulation bill, preserving a cap on debit card fees. But the federal Financial CHOICE Act continues to favor Wall Street interests determined to undo important consumer protections. Voters must speak loudly to counter the influence that bankers, payday lenders, debt collectors and others enjoy.

Americans for Financial Reform, a coalition of more than 200 groups, including AARP, the National Urban League and Common Cause, warns the federal legislation will obliterate regulations enacted after the 2008 financial crisis.

“This nearly 600-page bill is a radical piece of legislation. Not only does it eliminate numerous major elements of the Dodd-Frank protections passed in the wake of the disastrous financial crisis of 2008, it would also weaken regulatory powers that long pre-date Dodd-Frank,” warns the coalition. “The Financial CHOICE Act would be an unprecedented blow to effective oversight of the nation's financial sector and to the protection of ordinary consumers, investors, and members of the public who depend on the fairness, transparency, and stability of the financial system.”

CFPB AND CONSUMER FINANCE

Judges Divided in Hearing on Consumer Agency Power | Associated Press
Lawyers for the Trump administration and a company sanctioned by the consumer agency argued that the way the CFPB was created, by Obama and Democrats in Congress after the financial crisis, violated the Constitution, by giving the director excessive power.

The 11 judges — six appointed by Democratic presidents and five by Republicans — appeared split along ideological fault lines as they challenged, in turn, the opposing arguments put forward by the Trump administration and the CFPB.

Constitution Aside, Other Big Questions in CFPB Case | Bloomberg BNA
Overall, many saw the argument as a good day for the CFPB. The 11 judges who heard the case seemed to have mixed approaches to it, though there were plenty of signs that the agency may walk away a winner.

Can Trump Fire Consumer Regulator? | Wall Street Journal
An appeals court appeared hesitant to rule that the structure of a federal consumer regulator created after the 2008 financial crisis was unconstitutional, with several judges suggesting the ultimate word on the issue may have to come from the Supreme Court.

The appeals court’s decision is expected in the coming months.

Court Case Could Have Huge Impact on Future of a Key Consumer Watchdog | Washington Post
"When the CFPB was created in 2010 under the Dodd Frank Act, the appointment of an independent director was meant to help shield the agency from lobbying forces and powerful groups on Wall Street, says Brian Simmonds Marshall, policy counsel for **Americans for Financial Reform**…"

CFPB Director in Tight Spot as GOP Pushes Against Dodd-Frank's Crown Jewel | National Law Journal
For its entire history, the CFPB has run up against financial companies that have shown a willingness to fight back — and now under Trump, business advocates are more emboldened than ever to take swings at the agency. Still, the CFPB has kept up its enforcement effort in the early days of the Trump administration, showing no signs of a downshift.

Appeals court majority is skeptical of PHH case against CFPB | AFR blog (Brian Simmonds Marshall)

See joint statement by consumer and civil rights groups and statement by US PIRG.

Buried in Trump's Budget, Another Attempt to Kill CFPB | Time

"'Without exception, the proposals we've seen to de-fund or restructure the Consumer Financial Protection Bureau are about making it less effective at doing its job,' says Carter Dougherty, spokesman for **Americans for Financial Reform**… 'All these proposed changes to the CFPB would do is make it easier for Wall Street and assorted predatory lenders to rip people off.'"

Sham Poll Tells Lobbyists What They Want to Hear | AFR blog (Jim Lardner)
"This poll is a quintessential example of a survey that has been designed to produce a specific result — one that is at odds with everything else we know about public opinion on consumer protection and Wall Street reform," according to Celinda Lake and Daniel Gotoff of Lake Research Partners.

Here's something it proves beyond any doubt: if you write a poll question artfully, you'll get the answer you're after. Put the label "bipartisan" on just about anything, for example, and people will say they're for it.

Bank lobbyists use dubious poll to distort the will of the people | The Hill (Ed Mierzwinski)

NCUA Chairman Asks Cordray to Ease up on Credit Unions | PoliticoPro

5 Ways the CFPB Can Help You Save Money | Consumer Reports (Tobie Stanger)

Would Wells Scandal Have Come to Light with a Defanged CFPB? | American Banker (Jeff Sovern)
Wells Fargo's opening of millions of phony accounts using the names of its customers was perhaps the most significant bank scandal to come to light since the financial crisis. But [Representative] Hensarling's [R-TX] Financial Choice Act, which passed the House Financial

Services Committee, would have weakened federal regulators' ability to publicize the scandal and punish Wells. The Consumer Financial Protection Bureau, which joined the Office of the Comptroller of the Currency and Los Angeles city attorney in forcing the bank to refund customer fees and pay $185 million in fines, would have the power it used against Wells stripped by the House bill.

Former Wells Fargo Examiner-in-charge Sues OCC | American Banker

NYC becomes latest city to cut back on ties with Wells Fargo | Washington Post
Mayor Bill de Blasio and Comptroller Scott Stringer said Wednesday they will vote as members of the city's Banking Commission to bar city agencies from renewing or expanding existing contracts with the bank. Wells currently holds $227 million in city deposits.

Economism and Arbitration Clauses | Baseline Scenario (James Kwak)
As banking scandals go, Wells Fargo opening millions of new accounts for existing customers so that it could pump up its cross-selling metrics for investors is about as clear-cut as it gets. It's up there with HSBC telling its employees how to get around U.S. regulations in order to launder money for drug cartels, or traders and treasury officials at several banks conspiring to fix LIBOR.

Holding Wells responsible, however, was a bit trickier. The bank agreed to restitution (i.e, refunding the fees it had collected from its customers for the phony accounts) and a paltry $185 million in fines. When customers sued for damages, however, Wells hid behind its mandatory arbitration clauses, which were so broadly written that they even applied to accounts that the customer never intended to exist and that the bank had fraudulently created.

California could let consumers sue banks, despite arbitration clauses | Reuters

California lawmakers are making headway on legislation to allow state residents to sue financial institutions for fraud, rather than letting banks force customers to settle disputes in arbitration. The state Senate on Tuesday passed the bill, spurred by last year's Wells Fargo phantom accounts scandal. It now goes to the legislature's Assembly, where it is also expected to win approval. Under the bill, judges could override contract clauses that require customers to settle disputes through arbitration in cases where a bank commits fraud using customers' personal information.

U.S. Supreme Court Says Arbitration Agreements Can't be Singled Out for Disfavored Treatment | National Law Review
On Monday, May 15, 2017, the Supreme Court issued its latest reminder to state and lower federal courts that they must treat arbitration agreements as equally valid as all other contracts. In Kindred Nursing Centers Limited Partnership v. Clark et al., 581 U.S. ___ (2017), the Court confronted a rule imposed by the Kentucky Supreme Court that barred contracts conferring broad "powers of attorney" — contracts that authorize individuals to act on behalf of, and legally bind, others—from entering into an arbitration agreement, on the principal's behalf, absent a "clear statement" of authority that allows the agent to waive the principal's right to a jury trial.

Growing Divide: Sixth Circuit Decision To Invalidate Class/Collective Action Waiver Widens Appellate Court Split | National Law Review

Payday Loans Are Dying, Problem Solved? | USA Today
Consumer spending on payday loans, both storefront and online, has fallen by a third since 2012 to $6.1 billion, according to the nonprofit Center for Financial Services Innovation. Thousands of outlets have closed. In Missouri alone, there were approximately 173 fewer active licenses for payday lenders last year compared to 2014.

In response, lenders have a new offering that keeps them in business and regulators at bay — payday installment loans.

Buried Deep in Budget: "Free Pass" for Payday & Car Title Lenders | LA Times (David Lazarus)
"According to the advocacy group **Americans for Financial Reform**, payday and title lenders spent more than $15 million on campaign contributions during the 2014 election cycle. The top recipient, with nearly $224,000 in donations from the industry, was the National Republican Congressional Committee. The largest individual recipient, with $210,500 in payday and title loan cash, was — you guessed it — Hensarling."

See statements by **consumer and civil rights groups** and **Center for Responsible Lending.**

Payday lenders, charging 460%, not covered by California usury law | LA Times (David Lazarus)
Payday loans (known officially as "deferred deposit transactions") are overseen by the California Department of Business Oversight. It allows the maximum payday loan amount to be $300, with a fee of 15% charged by the lender.

What that means in practice, though, is that the borrower faces an annual interest rate of 460% for a two-week loan. If the loan can't be paid off in time — and many can't — the debt can be rolled over into a new loan with new fees.

"Payday lenders' reason for being is to trap people in an endless cycle of debt," said Jose Alcoff of the advocacy group **Americans for Financial Reform**.

GOP Bill Leaves Payday Lenders Alone | KLA-TV (David Lazarus and Nancy Cruz)

Hate Predatory Loans? Then Tell Congress to Keep its Mitts Off This Agency | Arizona Republic (Linda Valdez)
"The [Hensarling] bill 'would make it easier for Wall Street megabanks – plus other mortgage lenders, payday lenders, credit card companies and debt collectors . . . to make windfall profits by cheating people or putting the stability of the financial system at risk.' That's… from an email blast [the National Consumer Law Center] sent out in conjunction with **Americans for Financial Reform**."

Showdown Between California Car Dealers and Consumer Advocates Over E-Contract Bill | Benzinga
Promoted by auto dealers as a convenience, e-contracts make it easier to cheat buyers, according to attorneys. Rosner says unscrupulous dealers have changed e-contracts to slip in fees and add-ons for extras his clients never agreed to, as well as higher purchase prices and down payments than they were promised… In other states, dealers have signed contracts for the clients, and at least one fraudulent e-contract has saddled a car buyer with an auto loan for a car she never bought.

Fintech goes to Washington: Regulators, financial firms discuss wave of future | The Hill (Maria Gotsch and Robert Gach)
As financial technology (fintech) startups enhance collaboration with traditional financial institutions to diversify and modernize financial services, a better understanding of how the regulatory environment impacts a company's operations is becoming increasingly critical. The FinTech Innovation Lab's (FIL) new regulator-in-residence, former Deputy Assistant Secretary of Treasury Jonah Crane, is attempting to answer these questions for the FIL cohort. Crane's expertise enables companies in the lab to identify and develop strategies to address potential regulatory and policy issues.

Should Mac Users Get Better Rates on Loans? | Brookings Institution (Aaron Klein)
New financial technology (FinTech) has the promise to provide credit more efficiently, effectively, and fairly to millions, including minorities who continue to be underserved by traditional financial institutions. However, the same FinTech that shows this promise is testing 1960s and 1970s era anti-discrimination laws and regulations in ways never before contemplated.

To better understand this dilemma, examine a simple and real-world question: When two people apply for a credit card (for example), should it be legal to offer them different interest rates based solely on the fact of whether they are using a Mac or PC? Would your answer to this question change if you knew that there were racial differences between Mac and PC users? Gender differences? Or if the type of computer you use is correlated to your likelihood of repayment?

Close Loopholes for Online Lenders, N.Y. Regulator Urges Albany | American Banker

See remarks by FDIC Chairman Martin J. Gruenberg, "**Connecting Unbanked Communities to Mainstream Financial Services: The Vital Role of Bank On Coalitions**"

See also New America Foundation report, **Are Banks' Entry-Level Checking Accounts Safe and Affordable?**

ENFORCEMENT

Citigroup Unit Forfeits $100 Million on Anti-money Laundering Violations | PoliticoPro

FEDERAL RESERVE

Fed Worried About Financial Regulatory Rollback, Minutes Show | PoliticoPro
The Federal Open Market Committee discussed at its May meeting how capital and liquidity requirements, along with other new prudential standards, "had contributed to increased resilience in the financial system since the financial crisis," minutes from the session show.

However, they expressed concerns that a possible easing of regulatory standards could increase risks to financial stability, according to the minutes.

Treasury Secretary Steven Mnuchin next month will release the first of a series of reports on how financial regulations could be overhauled. The president's budget released Tuesday, for example, suggests that he will recommend removing the government's power to take over and unwind failing banks, known as orderly liquidation authority.

Fed's Powell: Balance sheet could shrink by as much as $2 trillion | PoliticoPro

See speech by Fed Governor Lael Brainard, **Why opportunity and inclusion matter to America's economic strength**

INVESTOR PROTECTION AND THE SEC

SEC homes in on IRR calculations | Privatefundsmanagement.net

In landmark vote, PCAOB adopts new reporting standards | PoliticoPro

CMS Staffers Charged with Insider Trading on Political Intelligence | PoliticoPro
Federal authorities on Wednesday charged current and former employees of the Centers for Medicare & Medicaid Services with alleged insider trading involving so-called political intelligence.

From at least May 2012 through November 2013, Christopher Worrall, a senior staffer at the CMS office that sets Medicare reimbursement rates, gave nonpublic and potentially profitable information to his close friend and former colleague David Blaszczak, according to civil charges announced by the SEC. The U.S. Attorney's office for the Southern District of New York announced related criminal charges.

Insider Trading Case Ensnares Hedge Fund | NY Times
For hedge funds, information is a valuable currency. A scrap of insight about a coming change in government policy can be as precious as any market data, potentially making the difference between a profit or loss on a trade.

As a result, political intelligence firms have proliferated inside the Beltway. But among the firms that traffic in information between Washington and Wall Street, one political insider's tips to a New York hedge fund crossed a bright line, the authorities said on Wednesday.

The Washington consultant, David Blaszczak, and four other men were charged in an insider-trading scheme, accused of using confidential information about government financing to trade shares in the health care companies that would be affected by the changes.

Three current and former partners at Deerfield Management, a health care hedge fund firm, paid Mr. Blaszczak to provide inside information about policy decisions at the Centers for Medicare and Medicaid Services, leading to millions of dollars in illegal profits, federal prosecutors in Manhattan and securities regulators said.

MORTGAGES AND HOUSING

Despite What Bankers Say, Data Is Indispensable | Rooflines
Recently, the American Bankers Association (ABA) issued a white paper, "HMDA—More Really is Less: The Data Fog Frustrates HMDA," maintaining that the CFPB exceeded its mandate under Dodd-Frank, including adding unnecessary data variables to HMDA that increase regulatory burden for banks and putting consumers at risk for identify theft and predatory marketing. Full of rhetoric, the white paper makes a number of unfounded allegations about HMDA data and the CFPB final rule.

FHFA Seeks Input on Limited-English Borrowers | PoliticoPro
The Federal Housing Finance Agency is seeking input on ways to help mortgage borrowers who speak limited English.

Fannie Mae and Freddie Mac, the mortgage companies regulated by the FHFA, are required to identify major access-to-credit obstacles to borrowers with limited English. The companies will develop a plan to support improved access.

Consumer and civil rights groups have long complained that language barriers hurt non-English-speaking borrowers, particularly those who are behind on their payments. Mortgage lenders and servicers have raised concerns about the cost and legal risk of providing customer service in multiple languages.

Trump budget cuts HUD funding, Housing Trust Fund | PoliticoPro

REGULATION IN GENERAL

Udall: It's past time to repeal the Review Act | Albuquerque Journal
A Republican attempt to repeal former President Obama's rule clamping down on the release of methane from oil and gas wells failed in the Senate by the slimmest of margins this month, and now Sen. Tom Udall wants to do away with the obscure law that almost allowed it to happen.

GOP Plan to Scrap Agency Guidance Takes Step Forward | American Banker
Using the Congressional Review Act – which gives Congress 60 legislative days to reject a regulation with a majority vote – Republicans have nullified 14 rules promulgated in the waning days of the Obama administration. They are now looking at guidance and bulletins that they believe have the effect of a regulation, but which were never sent to Congress.

If GAO determines that guidance does fall under the Congressional Review Act, Congress would have the legal cover to wipe out guidance with a simple majority vote. That could theoretically include guidance stretching back two decades, when the Congressional Review Act was enacted, if regulators did not formally notify Congress of the guidance.

Moreover, if Congress does reject guidance, it prevents the development of a substantially similar rule. As a result, guidance that Republicans have objected to, such as the Consumer Financial Protection Bureau's bulletin targeting indirect auto lending and regulators' leveraged lending guidance, could be effectively scrapped.

Inside Trump's war on regulations | Politico

The Scariest Piece of Federal Legislation That You've Never Heard Of | Medium.com (Laura MacCleery)
The bill would drop the regulatory equivalent of a cluster bomb on the functioning of government. It would make it nearly impossible for agencies to adopt new safeguards on any subject — including those explicitly required by Congress. It would alter the operations of government more profoundly than any other piece of legislation since the Great Depression. The RAA would allow regulated industries — or even individual cranks — to demand trial-like adversarial hearings to stop agencies from creating or changing a rule. Lawyers and lobbyists could cross-examine public officials charged with protecting consumer health and safety. That would both block new rules and tilt the process even more toward industry and other deep-pocketed special interests.

Portman's Regulatory Reform Bill Will Increase Costs, Bureaucracy | Cincinnati.com (editorial)
Senators Rob Portman (R-Ohio) and Heidi Heitkamp (D-N.D.) recently introduced a bill called the Regulatory Accountability Act of 2017… Instead of improving regulatory accountability, the proposed legislation would make regulation more expensive and prevent protective agencies from effectively enforcing our nation's laws. Instead of actual regulatory reform, it is closely aligned with the Trump/Bannon strategy to "deconstruct the administrative state."

Protecting America from Corporate Abuse is About to Get a lot Harder | The Week (Ryan Cooper)
Laws like the Clean Air Act direct federal agencies to come up with detailed regulations to fulfill the broad legal language, in line with the process set down in the Administrative Procedures Act. As I've written before, there has long been a neoliberal intellectual tradition to make this process as slow as possible, by placing burdensome hurdles before a rule can be issued and making them easier to challenge in court. (Incidentally, President Obama's first appointee to the regulatory oversight agency is one of the most prominent advocates of this view.)

Republicans could of course simply repeal such laws and abolish the protective agencies, but that would be unpopular and give the game away. Therefore, better to leave some formal husk of the agencies intact. Just make it impossible for them to do their jobs, and core out their funding to boot. With any luck, all the expert staff will abandon ship.

Trump Cabinet to Get Lawmakers' Regulatory 'Wish Lists': Moran | Bloomberg BNA

The $600 Billion Man | Wall St. Journal (James Freeman)
As if taxes haven't been high enough, the U.S. Government also forced Americans to spend an eye-watering $1.9 trillion in 2016 just to comply with federal regulations. That's according to the latest annual "**10,000 Commandments" report** released today by Wayne Crews of the Competitive Enterprise Institute.

Trump Isn't Really Doing So Much on Regulation | Bloomberg View (Cass Sunstein)

RETIREMENT

Deregulators Must Follow the Law, So Regulators Will Too | Wall St. Journal (Alexander Acosta)
The Labor Department has concluded that it is necessary to seek additional public input on the entire Fiduciary Rule, and we will do so. We recognize that the rule goes into partial effect on June 9, with full implementation on Jan. 1, 2018. Some have called for a complete delay of the rule.

We have carefully considered the record in this case, and the requirements of the Administrative Procedure Act, and have found no principled legal basis to change the June 9 date while we seek public input. Respect for the rule of law leads us to the conclusion that this date cannot be postponed.

See statement by **Save Our Retirement coalition**

Retirement Investors Aren't Safe Yet | NY Times (Editorial)
The secretary of labor is supposed to represent the interests of working people. But the new secretary, Alexander Acosta, was speaking to and for the financial industry this week when he took to the opinion pages of The Wall Street Journal to make his first major policy announcement.

Mr. Acosta objected that the rule "as written may not align with President Trump's deregulatory goals."

That is striking. Mr. Acosta's job as labor secretary is to advise Mr. Trump on how to help working people, not how to achieve his deregulatory goals. The fiduciary rule, as written, will help working people. Rescinding it will not.

Labor Should Delay Fiduciary Rule Kickoff | Wall St. Journal (Sen. Johnny Isakson)

Fiduciary Rule Survives Critics, for Now | Wall St. Journal
The Labor Department's landmark retirement-savings rule is set to take effect in 2½ weeks, a move that underscores the difficulty the Trump administration is encountering in undoing Obama-era financial regulations.

See DOL briefing paper, **Conflict of Interest FAQs**

Fiduciary Rule Comments: Some Conflict, Lots Of Interest | Law360

Here is the Trump administration's chance to put working-class families first | Chicago Tribune (Dory Rand)
Considering the complexity of investing for retirement and the fact that many so-called advisers are largely seeking to line their own pockets, many retirees face the prospect of outliving their retirement savings. Inadequate retirement savings or depletion of savings through excessive fees and commissions can mean sacrificing or skimping on necessities such as food and health care. Retirees may be pushed into poverty, which not only harms the retiree, but also creates fiscal pressure on publicly financed retirement programs and on other public assistance programs.

Requiring retirement investment advisers to provide an honest assessment of the cost and benefits of various investment products is common sense.

Regulating Automated Financial Advice | Regulatory Review (Griffin Davis)
Although robo-advisors present the possibility of lower-cost, and potentially higher-quality, financial advice, they can also create a new set of challenges for the state and federal agencies that regulate the financial services industry.

Legal Settlements Squeeze Fees for US Retirement Plans | Financial Times

Retirement Savers Really Do Need Government Help | Bloomberg View (Barry Rithotlz)

Lobbyists Prepare New Fight to Reverse US Fiduciary Rule | Financial Times

Godzilla (the Fiduciary Rule) Ate the Rule of Law | Wall St. Journal (Eugene Scalia)

Chamber of Commerce rips 'flawed' financial adviser rule | The Hill
The U.S. Chamber of Commerce on Tuesday slammed a new federal rule for investment advisers set to take effect in two weeks, saying it will harm savers instead of protecting them. The business group said the Department of Labor regulation, known as the fiduciary rule, "was built upon a mountain of flawed analysis and would harm the very people it was purported to protect by raising costs and limiting investment options." The Chamber compiled data saying the regulation would result in up to 7 million people losing access to investment advice, with some 92 percent of firms saying the rule could limit the products they offer to customers.

Wells Fargo Advisors Introduces New Mutual Fund Class for Fiduciary Rule | Reuters

REVOLVING DOOR

Ex-Obama Officials Find There's No Place Like Their Old Law Firms | NY Times
When a new administration comes to Washington, top government regulators flock to the exits to find new jobs, but they seldom have to look very far… [M]ost of them, like Eric H. Holder Jr., the former United States attorney general, or Mary Jo White, former chairwoman of the Securities and Exchange Commission, simply return to their previous law firms. In the latest high-profile transition, the law firm Zuckerman Spaeder has welcomed back Aitan D. Goelman, who was enforcement director at the Commodity Futures Trading Commission until February. In

his regulatory role, Mr. Goelman oversaw cases using new enforcement powers authorized by the Dodd-Frank Act and other legislation that grew out of the 2008 economic crisis.

White House Details Ethics Waivers for Ex-Lobbyists and Corporate Lawyers | NY Times
Andrew Olmem, who until recently was a Washington-based partner at the law firm Venable L.L.P., is a special assistant to the president for financial policy after he lobbied the federal government on behalf of a number of financial firms, including American Express, MetLife and S&P Global. Mr. Olmem's waiver allows for him to participate in communications and meetings with former clients involving Puerto Rico's financial issues, as well as amendments to the Flood Disaster Protection Act and reforming the Financial Stability Oversight Council's treatment of insurers, the White House said…

Also receiving a waiver was Shahira Knight, who had been a lobbyist for Fidelity Investments and now serves as a special assistant to the president for tax and retirement policy — the same topic she had lobbied on while working for Fidelity, one of the largest retirement-investment companies in the United States.

STUDENT LOANS AND FOR-PROFIT SCHOOLS

Students Were Promised Loan Forgiveness. Under Trump, They Wait and Worry | The Chronicle of Higher Education (Michael Vasquez)

Trump's Student Loan Overhaul Would Save $143B over Next Decade | PoliticoPro

Students Without Good Options | Inside Higher Ed
The Department of Education in December cut off Charlotte's access to Title IV student aid funds, a decision that would be a death sentence for most colleges. But the law school's leaders scrambled to stay open and to help current students find funds to remain enrolled at the law school. And the school crafted a teach-out plan to allow students to finish their degrees at another institution operated by parent company InfiLaw.

Normally, students of a college that goes under have the option of applying to have their federal loans forgiven, although they would not be eligible if they completed their program through a teach-out arrangement or transferred credits to another institution. Critics say the law school is no longer viable but by remaining open keeps students from choosing which option to pursue. And that protects the institution from the financial liability of loan-discharge claims.

New Law Will Protect Students If For-profit Colleges Close | Lincoln Journal Star
Students at Nebraska's for-profit colleges will be protected financially if those schools suddenly close, thanks to a change adopted this year by state lawmakers.

The measure was a response to last year's shutdown of ITT Technical Institute, which impacted some 43,000 students nationwide, including 340 who attended the ITT Tech campus in Omaha.

SYSTEMIC RISK

Financial Regulation Calls for 20/20 Vision | Bloomberg (Antonio Weiss & Simon Johnson)
One of the central pillars of financial reform, the Financial Stability Oversight Council (FSOC), is under political attack and at risk of coming undone.

In the past, the balkanized U.S. financial regulatory system has consistently failed to address risks that took root in its jurisdictional gaps. The FSOC was created to solve that problem, bringing regulators together to make sure they have the tools to protect the economy from financial crises. It is already making an important difference.

Unfortunately, earlier this month the House Financial Services Committee passed the Financial Choice Act (CHOICE Act), which threatens to reverse that progress. It would, for example, all but eliminate the FSOC's ability to prevent the regrowth of an unsupervised shadow banking sector that might once again threaten our financial stability and economic resiliency. At the same time, the administration of President Donald Trump has signaled that it may use the council to pursue deregulation, rather than its core mandate of financial stability, and to reverse or limit its ability to designate systemically important non-banks for enhanced supervision.

Fed announces dates for stress test results | PoliticoPro

Deregulation poses global threat of regulatory arbitrage | American Banker (Charles Hastie)
The far-reaching effects of this pivot have not been fully considered. These mandates to prioritize national interests over international cooperation could cause a chain reaction of sorts. They risk igniting a vicious cycle of competitive deregulation and regulatory arbitrage in the financial services sector across multiple jurisdictions. Repeals of regulation in one country could attract banks from another, prompting other nations subsequently to enact their own competitive rollbacks, either to benefit from or not to lose institutions as a result of the corporate migration.

When this finishes, we could be left with deregulation not just in countries that opposed globalization. In the end, many of the reforms designed to protect the global financial system and leading global economies from future crises could be erased.

Basel Committee to go with 75 percent output floor | PoliticoPro

OTHER TOPICS

Even Elizabeth Warren Gets Harassed by Debt Collectors – and It's About to Get Worse | The Intercept
Even Washington's most powerful denizens aren't immune from the signature annoyance purveyed by the multibillion-dollar debt collection industry — and it could be about to get worse. President Trump's Federal Communications Commission is fielding petitions from industry groups to allow them to increase the frequency of such calls, and to reach out to friends and family of Gus, too.

Figuring out just how much wealth the super-rich are hiding overseas | Washington Post
In a newly released paper, researchers in Scandinavia and the United States use the Swiss and Panamanian leaks to show that global tax evasion is likely much more prevalent than previously thought. Their estimates indicate that the top 0.01 percent of the wealth distribution own about half of all offshore assets and may be hiding roughly a quarter of their wealth offshore.

Senior OCC Staffer Nebhut Retiring, Sullivan Promoted | PoliticoPro