This Week in Wall Street Reform | June 22 - 29

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THE TRUMP ADMINISTRATION, CONGRESS & WALL STREET

Representatives García, Khanna Introduce Legislation to Boost Jobs and Wages | Lawndale News

Representatives Jesús "Chuy" García (IL-04) and Ro Khanna (CA-17), introduced the Reward Work Act as a companion to legislation by Senator Tammy Baldwin (D-WI). This bill will address the explosion in so-called "stock buybacks." Since the late 1970s, a growing share of economic growth has gone to Wall Street with little given to workers. This is especially true since the passage of the 2017 tax overhaul.

CONSUMER FINANCE AND THE CFPB

Proposed Debt Collector Rule Angers Consumer Groups Over Poor Safeguards | Naples Daily News
A public comment period ends Aug. 19 for a proposed regulation by the Consumer Financial Protection Bureau to establish limits on how often debt collectors can call people. It also would establish guidelines for the first time for text messages and emails.

The National Consumer Law Center says the proposal falls short on consumer protections.

Two dozen senators signed a letter in early June to the Consumer Financial Protection Bureau stating the proposed rule could cause greater harm. The senators are calling for the rule to be reconsidered.

"As it is currently written, the proposed debt collection rule will only exacerbate and increase troubling harassment tactics," according to the letter spearheaded by Sens. Robert Menendez, D-New Jersey, and Sherrod Brown D-Ohio.

Will Bank Overdraft Fees Spread Again? Consumer Agency Is Reviewing The Rule | New York Times
Are more $38 cups of coffee on the horizon?

The Consumer Financial Protection Bureau has opened a review of the decade-old federal "overdraft rule," which regulates how banks charge fees when their customers spend more than what is in their checking accounts.

Under the rule, banks must get their customers' express permission before charging a penalty for overspending, whether through most debit card purchases or A.T.M. withdrawals.

If customers don't accept overdraft coverage, banks simply decline transactions that would drop an account balance below zero. If customers do "opt in" to overdraft coverage, the bank approves the purchase or cash withdrawal and charges a fee — typically about $35.

Bank Overdraft Fees Could Jump if Consumer Watchdog Eases Rule | CNBC
For some banks, overdraft revenues are a significant part of their income, despite the Federal Reserve's 2010 regulations that sought to bar them from assessing these fees unless customers have opted into an overdraft protection program.

Now, nine years later, the Consumer Financial Protection Bureau has opened a review of the "overdraft rule."

The purpose is to minimize any significant economic impact of the rules on small businesses in particular, the consumer watchdog agency said. From there, the CFPB will determine whether the rule should be continued without change, amended or rescinded.

Want To Get Hired At The CFPB? Say You Know How To Destroy It. | Mother Jones

Now, documents released under the Freedom of Information Act suggest that highlighting a willingness and ability to kneecap the CFPB may have helped a number of the appointees get their jobs. Resumes obtained by American Oversight and provided to Mother Jones reveal that appointees to senior-level jobs regularly advertised their experience working to weaken the bureau's authority while seeking positions where they could determine its future.

After earning their jobs, the appointees pushed dramatic changes in the bureau's work—dismissing congressionally-mandated advisory boards, weakening enforcement efforts, and relaxing payday lending regulations. While the CFPB did not respond to multiple Mother Jones requests for comment on the hires or their CFPB careers, some have gained further stature at the bureau under Kraninger's leadership.

CFPB Remains Undecided On Definition Of Abusive | Credit Union Times
The CFPB has not decided whether it should use its rulemaking power or other tools to better define "abusive acts or practices" agency Director Kathy Kraninger said Tuesday.

The agency has the power to act against financial institutions based on "Unfair, Deceptive Abusive Acts or Practices."

She said that through Federal Trade Commission actions and case law, the definitions of unfair and deceptive have been clearly defined.

The same is not true for abusive acts or practices.

"We have heard from some stakeholders that there is some uncertainty," she said, adding that evidence gathered as a result of the symposium will be used to determine how the agency should proceed.

Here's Why America's $1.5 Trillion Student-Loan Crisis Has Spiralled Out of Control | MarketWatch [NOTE: this is about financial literacy, not so much about student loans]
Part of the reason why financial education is irrelevant to so many Americans, he says, is because the curricula were developed during a time when most workers could count on a biweekly paycheck at a stable job. These days, more than 40% of Americans regularly see large swings in their income.

US Treasury Recommending Mandatory Financial Literacy Courses For College Students | Fox 8 Cleveland
The U.S. Department of the Treasury is recommending that college students take a mandatory financial literacy course.

The department made this recommendation in a report they released on behalf of the U.S. Financial Literacy and Education Commission.

The report asserts that 43 million Americans owe more than $1.5 trillion in student loan debt. The department says borrowing, on average, comes out to $33,000 per person.

Watch: Katie Porter questions Paul Watkins, head of the CFPB's Office of Innovation, about his connections to an anti-LGBTQ hate group.

Trump Appointee Worked For Anti-LGBTQ Group And Tried To Hide It | The Advocate
In July 2018, it was announced that Paul Watkins would be head of the Consumer Financial Protection Bureau's Office of Innovation, a new department created by White House Chief of Staff and right-wing ideologue, Mick Mulvaney, who was acting director of the CFPB at the time of Watkins's appointment.

Just five months after Watkins was appointed, the CFPB proposed a dramatic revision of its "no-action letter" and "product sandbox" policies that will reduce regulatory requirements for new financial technologies. These policies would relax the criteria for companies to apply for an enforcement relief as well as grant statutory and regulatory safe harbors and exemptions for certain companies. In a nutshell, these policies will ultimately allow the Bureau to exempt entire industries from laws that protect LGBTQ consumers, while granting businesses potentially indefinite exemptions from fair lending laws, safe harbor from federal and state enforcement actions, and immunity from private lawsuits.

Warren Leads Democratic Call to Reconsider Another CFPB Hire | American Banker
Democratic lawmakers are calling on the Consumer Financial Protection Bureau to reconsider the hiring of Paul Watkins as the assistant director of the innovation office, following reports he worked for a group deemed by some as an anti-LGBTQ hate group.

Sen. Elizabeth Warren, D-Mass., and Reps. Ayanna Pressley, D-Mass., and Katie Porter, D-Calif., told CFPB Director Kathy Kraninger in a letter Tuesday that they are concerned about Watkins' fitness for his job considering the discretion his position has to exempt certain companies from complying with anti-discrimination laws.

Guess How Much Cheaper Your Auto Loan Would Be If Dealers Had To Play Fair | Washington Post (Ian Ayres)
When a consumer chooses in-house financing with an auto dealer, the dealer sends the customer's financial information to a lender and is told the rate that the customer qualifies for. But it's legal for the dealer to turn around and charge the customer a higher interest rate. You might qualify for a 5.9 percent interest rate, but if the dealer can get you to agree to a loan at 11 percent, the lender will kick back more than $1,000 to the dealership as pure profit. This discretionary markup of the interest rate allows auto dealers to arbitrarily increase their fees.

An analysis by the independent online auto-loan marketplace Outside Financial has found that dealers are charging an average markup of $1,791 per loan. By contrast, in 2003, Vanderbilt University economist Mark Cohen estimated that 10 percent of loans to Nissan's borrowers were marked up more than $1,600. Now the average loan is boosted more than that.

DERIVATIVES AND THE CFTC

Wall Street's Shady Practice Of Triggering Bond Defaults Draws Scrutiny From Regulators | Bloomberg

Financial regulators in the U.S. and U.K. said they will work together in combating "opportunistic strategies" in credit derivatives markets including so-called manufactured defaults that have triggered a series of high-profile legal fights.

The heads of the Securities and Exchange Commission, Commodity Futures Trading Commission and U.K. Financial Conduct Authority released a joint statement on Monday citing the potential of such strategies to harm the integrity, confidence and reputation of the markets.

The SEC's Jay Clayton, CFTC's J. Christopher Giancarlo and FCA's Andrew Bailey vowed to "prioritize the exploration of avenues, including industry input which will address these concerns and foster transparency, accountability, integrity, good conduct and investor protection." The collaborative work won't preclude the agencies from acting on their own, the regulators said.

Democrats Back Wall Street Push to Free Up $40 Billion in Margin | Bloomberg

A group of House Democrats is pressing bank regulators to roll back a rule that forces the biggest Wall Street firms to set aside as much as $40 billion as a safety net in derivatives trading.

Freeing those billions in collateral has been a longtime aim of the industry and has regularly drawn support from Republicans in Congress. Now 17 Democrats -- including seven from the House Financial Services Committee -- have joined in, calling for an overhaul of requirements tied to internal swaps transactions between a bank's affiliates.

The International Swaps and Derivatives Association, an industry group, estimated that $39.4 billion in collateral had been set aside to meet margin requirements as of the end of 2018. The issue is particularly important to major swaps dealers, such as Goldman Sachs Group Inc., JPMorgan Chase & Co. and Citigroup Inc. The Financial Services Forum, a trade group representing eight of the largest banks, spearheaded the lobbying effort on the Democrats' letter.

Consumer groups such as Americans for Financial Reform have argued that the margin requirement is critical for protecting the bank subsidiaries and affiliates that handle customers' deposits.

U.S. Markets Regulators Reach Deal on Dodd-Frank Swaps Capital Rules | Reuters

U.S. markets regulators on Friday unveiled an agreement on how much capital and margin firms must hold when trading swaps based on securities, finalizing a key piece of the 2010 Dodd-Frank law introduced following the 2007-09 financial crisis.

The Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC) agreed to fend off a regulatory overlap that would have drastically increased the capital burden for many firms already operating under CFTC rules, the regulators said.

The agreement underscores an unusual degree of harmonization between the two U.S. markets watchdogs and comes amid a broader push by two appointees of U.S. President Donald Trump — SEC Chairman Jay Clayton and CFTC Chairman Christopher Giancarlo — to coordinate more closely on policy and enforcement matters.

House Lawmakers Blast EU Regulators Over New Derivatives Rules | Politico Pro
House Democrats and Republicans Wednesday criticized European Union financial regulators for their approach to looming international derivatives rules that could hit U.S. companies.

At a House Agriculture subcommittee hearing, members raised concerns with Europe's implementation of the European Market Infrastructure Regulation, known as EMIR 2.2. The regulation, part of the EU's post-financial crisis legislation, requires central clearing of certain derivatives.

U.S. businesses such as Intercontinental Exchange and CME Group, which operate exchanges, are concerned they could be subject to EMIR 2.2 as systemically important firms and will need to comply with EU laws.

ENFORCEMENT

Trump Administration Pushes to Deregulate With Less Enforcement | Wall Street Journal
President Trump's promises to reverse the regulatory actions of the Obama administration have been stymied by court challenges, but his administration is achieving the goal another way: by not hiring people to do the work of enforcing rules that are on the books.

In March, Massachusetts Sen. Elizabeth Warren, the Democratic presidential candidate who was a leading voice in the creation of the consumer protection bureau, criticized its director, Kathy Kraninger, for the office's lack of enforcement. "If you had any decency, you'd either do your job or resign," Sen. Warren said during a Senate Banking Committee hearing in March.

Whistleblower Gets $2.5m Award for Exposing Misleading Pricing at Cargill | Star Tribune
The U.S. Commodity Futures Trading Commission on Tuesday awarded $2.5 million to a whistleblower who exposed misleading pricing at Cargill related to swap trades.

In 2017, the agency fined Cargill $10 million after an investigation found the company provided misleading information to customers on thousands of complex swaps. The Commodity Futures Trading Commission (CFTC) said Cargill effectively hid as much as 90% of its expected revenue, including expected profits and other costs used when setting the price. Swaps are a financial tool that exist in a number of forms as a way to manage risk.

The amount awarded to the whistleblower would have been larger had the informant come forward sooner, the CFTC said in a news release.

Former Wells Fargo Broker Gets Five-Year Prison Sentence | Financial Advisor IQ
A former Wells Fargo Advisors broker in Ohio received a five-year prison sentence for allegedly misappropriating more than $1 million from his clients, according to news reports.

John Gregory Schmidt, who joined the financial services industry in 1986 and came to Wells Fargo in 2006, according to BrokerCheck, allegedly shifted funds between his clients' accounts and misled them for years about their actual financial status, the Dayton Daily News writes. He was sentenced in Montgomery County Common Pleas Court, according to the paper.

Ex-Barclays CEO Acquitted In Criminal Case Over 2008 Bailout | Yahoo Finance
The former CEO of Barclays (BARC.L) has been acquitted in a criminal case against him related to a bailout of the bank by Qatar at the height of the financial crisis.

John Varley was cleared by the appeal court on Friday. Trial judge Justice Jay ruled that the evidence against Varley on the two counts he faced was insufficient for the case to proceed. An appeal against that ruling was dismissed and Varley was acquitted of the charges.

Varley was one of four former Barclays executives accused of fraud charges related to a multi-billion-pound investment in the bank by Qatar made at the height of the financial crisis.

EXECUTIVE COMPENSATION

Companies Made 287 Times More Money Last Year Than Their Workers Did | Vox
After years of kicking and screaming, corporate executives have finally released pay data on what their CEO makes versus their median worker.

Unsurprisingly, the gap is obscene. The average chief executive of an S&P 500 company earned 287 times more than their median employee last year, according to an analysis of the new federal data released Tuesday by the AFL-CIO labor federation. America's CEOs earned a staggering $14.5 million in 2018, on average, compared to the average $39,888 that rank-and-file workers made. And CEOs got a $500,000 bump compared to the previous year, while the average US worker barely got more than $1,000.

This is the first year in which all public companies were required to disclose CEO-to-workers pay ratios in filings with the US Securities and Exchange Commission. Before, companies only needed to report compensation for their top executives.

INVESTOR PROTECTION, SEC, CAPITAL MARKETS

Regulatory petition to SEC: Petition to SEC Seeking Ban on Stock Buybacks and Strong Worker Protections

SEC's Regulation Best Interest Blocked By House of Representatives | Financial Advisor IQ

The U.S. House of Representatives voted Wednesday to pass a financial services and appropriations bill that includes an amendment that would effectively strip the SEC of its ability to implement its newly-approved Regulation Best Interest package.

The amendment to the Financial Services and General Government Appropriations, 2020 bill — HR 3351 — was introduced Monday night by House of Representatives Financial Services Committee chair Rep. Maxine Waters (D-CA 43rd District). The FSGG bill covers appropriations for the fiscal year ending Sept. 30, 2020.

Reg BI Defunding Amendment Opposed By Broker-Dealers | Financial Advisor

The broker-dealer industry is blanketing the House with a letter asking members to oppose an amendment that would prohibit the SEC from funding implementation of its new standard of conduct rules for brokers and advisors.

The amendment, introduced by House Financial Services Committee Chairwoman Maxine Waters, D-Calif., on Tuesday, would prohibit the Securities and Exchange Commission from "implementing, administering, enforcing or publicizing the final rules and interpretations" of its controversial "best-interest" conduct rules, which the SEC approved on June 5. Waters said the rule fails consumers because it does not hold brokers to the same fiduciary standard as registered investment advisors.

DOL Could Ride on the Back of Reg BI for Fiduciary Rule | Pensions and Investments

Department of Labor officials are looking to harmonize their upcoming fiduciary rule-making with the Securities and Exchange Commission's new standards-of-conduct package as some states press ahead with proposals of their own.

The SEC's rule package, commonly known as Reg BI for its centerpiece best-interest standard that compels brokers to put clients' financial interests ahead of their own and requires them to mitigate financial conflicts, was approved June 5.

Critic Calls Reg BI a 'Fraud' | Barron's

The SEC has described its newly approved package of regulations on financial advice as bringing standards "in line with reasonable investor expectations" while maintaining access to a range of investments and services.

There are plenty of critics of the SEC's work, and at least one, Ron Rhoades, has been unsparing in his language, describing passage of Reg BI as "the greatest securities fraud in history…" A former estate planning attorney who is currently a finance professor and RIA, Rhoades details his concerns in this interview with ThinkAdvisor.

Who Wins in a Fiduciary Fight — Feds or States? | Financial Advisor IQ

Individuals and groups who want to thwart the fiduciary rule initiatives of New Jersey, Massachusetts and Nevada are arguing the states' rules would be constitutionally invalid because they would conflict with federal law.

But in a comment letter submitted last week by 17 investor protection groups to New Jersey's Bureau of Securities, the group says "NSMIA pre-empts states only in specifically enumerated areas, none of which are implicated" in New Jersey's proposed fiduciary rule.

Sifma, the FSI and other broker-dealer industry groups "incorrectly argue that the reference to recordkeeping in NSMIA precludes states from promulgating a fiduciary duty for brokers' advice," according to the group, which includes the Alliance for Retired Americans, Americans for Financial Reform Education Fund, Consumer Federation of America and New Jersey Citizen Action.

Neiman Marcus Tells the SEC it's 'Going Dark' | Dallas News
Neiman Marcus gained something else besides time with its recently completed debt exchange: privacy.

The Dallas-based luxury retailer informed the Securities and Exchange Commission late Friday that it was "going dark," or will no longer be filing regular reports publicly with the SEC. The number of debt holders of record has fallen below 50, according to the Form 15 filing. For years as a privately held company, Neiman Marcus continued to report quarterly results because of requirements tied to its publicly traded debt.

On June 11, the company completed the exchange of $1.48 billion in notes due in 2021 for notes due in 2024. About $137.3 million in existing bonds paying interest in a range of 8% to 9.5% due in 2021 weren't exchanged.

BlackRock Examines Ways To Bring Annuities To 401(k)s | Wall Street Journal
BlackRock Inc. BLK 0.24% is planning for a future in which annuities could come to more Americans' 401(k)s.

Congress is debating a bill that would encourage more companies to offer retirement savings plans with annuities as part of sweeping changes. Last month, the House passed a version of the bill, and now the Senate is considering legislation.

The world's largest money manager lobbied for at least three years on key aspects of the bill, the Setting Every Community Up for Retirement Enhancement Act. The effort is part of a series of attempts over the past decade by the firm to advocate for changes in the retirement system.

The Democrats' Retirement Debacle—And Ted Cruz' Last Minute Save | The American Prospect (David Dayen)
McAdams should hope that people don't start to understand retirement reform, because then they'd know that the House, by an overwhelming 417-3 margin, passed a retirement reform bill last month that potentially exposes millions of workers to unscrupulous salespeople peddling high-cost annuities through their 401(k) plans. There's evidence to suggest that the bill is the reason that Ways and Means Committee Chair Richard Neal has slow-walked oversight of the Trump administration, including collection of the president's tax returns. If Neal plays relatively nice with the White House, Trump might sign his bill, which helps out the annuity providers that are among Neal's biggest donors.

The scheme is going awry in the Senate, however, mostly held up by a tiny provision championed by Ted Cruz to let families pay for homeschooling in tax-sheltered 529 accounts. Like the Tea Party blocking Social Security cuts because there was a modest tax increase attached, the public might dodge a bullet aimed straight at their retirement accounts, because Ted Cruz wants to incentivize homeschooling.

Stock Exchanges Accuse Government of Ethics Lapse in Market-Data Fight | Wall Street Journal
The New York Stock Exchange and Nasdaq Inc. on Monday accused a senior regulator who supervises them of having ethical conflicts, raising the ante in a battle with Washington over how the companies sell market data.

The feud stems from a regulatory decision last year on data fees that could crimp exchanges' profits from selling products that display current market prices and trading interest. The exchanges have appealed the Securities and Exchange Commission's move to the U.S. Court of Appeals for the District of Columbia Circuit, a group of judges who often referee legal fights between companies and the federal government.

The SEC official involved in the debate, Brett Redfearn, has overseen efforts to scrutinize whether fee increases imposed by exchanges for the data are justified. In a Monday court filing, the exchanges said "the SEC's misconduct here so infected its process" by allowing Mr. Redfearn to work on the matter.

PRIVATE FUNDS

Indexing Giant Vanguard Examines a Push Into Private Equity | Wall Street Journal
Vanguard Group has had discussions with a handful of private-equity firms as the indexing giant weighs whether to push further into alternative investments.

The firm held exploratory talks with Boston firm HarbourVest Partners, London-based Pantheon and at least one other firm, said people familiar with the matter. Those talks took place in the past year. Vanguard is evaluating partnerships to make a mix of private-equity funds available to Vanguard clients, the people said.

The talks are in the early stages, and a final decision hasn't been made. It is possible Vanguard won't offer a private-equity product in the end.

Why Vanguard Might be Re-Considering Private Equity Position | Philadelphia Business Journal
Vanguard Group has become one of the largest investment management firms in the world through the low-cost, stock-and-bond market funds for the masses championed by founder Jack Bogle.

But according to the Wall Street Journal, the Malvern-based company is pondering whether to add private equity offerings and has held meetings with several firms. The story says Vanguard has held "exploratory discussions with Boston's HarbourVest Partners, London-based Pantheon and at least one other firm over the past year. It added that Vanguard has not made a decision whether to offer private equity products, which would have higher fees and be offered to institutions and high-net-worth clients that the firm advises.

“We continually evaluate a range of products and services, but have no immediate plans to offer a private equity fund,” a Vanguard spokesman said in a statement Monday morning.

Private Equity Funds Pump in $1.1 Billion in Logistics, Warehousing Sector | Business Standard News
Private equity (PE) funds have pumped in excess of $1.1 billion in the logistics and warehousing sectors between the first quarter of 2017 and the first quarter of 2019, as against zero investment in 2015 and 2016 combined. Infrastructure status, the multi-modal logistics park policy, and implementation of the GST had all led to PE firms’ greater interest in the logistics and warehousing sectors.

"The logistics sector had a massive jump-start in the first quarter of 2019, when PE players pumped in nearly $200 million into cities like Bengaluru, Chennai and Pune," said Agarwal, adding that there is immense opportunity, backed by the growing demand from e-commerce businesses in the last two years; the logistics and warehousing sectors are consequently upgrading to higher levels.

Private Equity Executives Plan Hiring Spree | Institutional Investor
Private equity firms are planning to hire across their businesses, signaling no slowdown for an industry that has attracted a flood of capital from institutional investors, according to a poll taken at EisnerAmper’s annual alternative investment summit in New York.

Seventy-seven percent of private equity and venture capital executives expect to hire staff for their investment, operations, or investor relations teams over the next 12 months, EisnerAmper found in its survey of conference attendees. The accounting firm, which probed 120 senior investment professionals including hedge fund and private equity executives, plans to announce the survey results Tuesday.

Mobile Home Affordability Threatened by Private Equity | Nonprofit Quarterly
Private Equity Giants Converge on Manufactured Homes, a report released this year by three nonprofits—Manufactured Housing Action, the Private Equity Stakeholder Project and Americans for Financial Reform—maps this rapidly changing industry. The report notes, “The top 50 manufactured housing community owners own around 680,000 home sites. With more that 150,000 home sites, private equity firms and institutional investors now control a substantial portion of manufactured home communities.” Some of these firms have familiar names like Blackstone or Carlyle.

One In Six Migrant Children In The U.S. Are Staying At A Shelter Operated By A Private Equity Tycoon | Forbes
Since 2014, the U.S. government has heavily depended on contractors to manage shelters for migrant children. Most of the over 100 shelters used by the federal government are run by big nonprofit organizations such as Texas-based Southwest Key Programs. One exception is Comprehensive Health Services (CHS), which, based on Forbes’ reporting, is the nation’s only for-profit youth migrant shelter operator.

CHS runs Homestead, the biggest shelter for unaccompanied minors in the country and also the only temporary influx center for migrant children. Its chairman, Thomas Campbell, is the founding partner and majority owner of the private equity firm DC Capital Partners, which bought CHS in 2018 for an undisclosed sum. Forbes estimates that DC Capital pulls in millions of dollars a year from government contractors it owns. That includes CHS, which pays DC Capital an annual management fee of $1 million, based on a 2018 agreement between the two firms signed by Campbell on behalf of both entities. CHS, DC Capital and Caliburn all declined to respond to questions from Forbes.

America's Only For-Profit Detention Center for Migrant Children | Axios
Homestead is owned by a company called Caliburn which, in turn, is owned by a private equity firm, DC Capital Partners.

- Homestead is the nation's largest influx shelter, able to house thousands of kids as they wait to be united with sponsors in the U.S. Because the facility is classified as a temporary shelter, the federal government maintains it is not subject to state child welfare regulators.
- Many of the children have been kept beyond the 20-day legal limit, although there is ongoing court debate over whether such a ceiling applies while they are waiting to join sponsors, who are often family or friends of family.
- Caliburn insists its charges are well cared for, although not everyone agrees.

Private Equity Access: Should We Beware? | CFA Institute Enterprising Investor
Why are these net to limited partner returns compared to public indexes when, in small print, there's the following disclosure?

"Due to the fundamental differences between [how private equity and public market returns are calculated,] direct comparison . . . is not recommended."

In fairness, the disclosure goes on to say that "for a more accurate means of comparing private investment performance relative to public alternatives," investors should look to adjusted public market returns on the next page. This is useful material, as are the other metrics presented in an analysis section at the back of the book.

But did any limited partner or investor receive what the firm states on this subsequent page are "actual private investment return(s)"?

The Future Looks Terrible for U.S. Nursing Home Costs | Bloomberg
Another trend that may be driving up costs is tied to Wall Street. Four out of the 10 largest for-profit nursing home chains were purchased by private equity firms from 2003 to 2008, according to a case study analyzing a private equity takeover.

Research on the impact of private equity has yielded mixed conclusions, though one study revealed how a nursing home chain that was taken over by a private equity firm showed a general reinforcement of profit-seeking strategies already in place, while adding some strategies aimed at improving efficiency.

SMALL BUSINESS LENDING

[Taxi Officials Are Grilled Over Lending Crisis: "This Is A Moral Outrage"] | New York Times

The New York City Council excoriated the city officials who oversee the taxi industry on Monday, blaming them for a financial crisis that has ruined drivers and releasing a document that lawmakers said showed the officials knew for years that a disaster was looming.

The document, a memo written by a city employee in late 2010 or early 2011, described how the price of the city permit that allows a driver to own their cab — called a medallion — had skyrocketed to unsustainable levels. It also warned that in order to buy the permit, some drivers were taking out loans they could not afford.

A few years after the memo was written, the reckless loans helped cause medallion prices to crash, leaving thousands of immigrant drivers deeply in debt.

MORTGAGES AND HOUSING

Letter to Regulators: Comment to HUD on FHA Servicing Defect Taxonomy

Mortgage Bond That Vanished During Financial Crisis Is Back | Wall Street Journal

Cerberus Capital Management LP is bringing back a type of mortgage bond that went extinct during the financial crisis.

A unit of the private-equity firm issued bonds Friday backed entirely by home-equity lines of credit. The $174 million issuance received a triple-A rating from four agencies including Fitch Ratings. Mortgage bonds pooling esoteric pieces of the home-loan market have been mostly out of style in the decade since the housing market collapsed, a period when government-backed entities ended up standing behind much of the mortgage market.

But some structures have slowly returned, including bonds that hold unconventional mortgages resembling the Alt-A home loans of yesteryear for borrowers with hard-to-document income. There have also been a handful of deals involving fix-and-flip loans, and a market for single-family rental bonds emerged after the financial crisis.

Trump Administration to Take on Local Housing Barriers | Wall Street Journal

The Trump administration will explore using federal programs to push local governments to soften or eliminate rules that block housing construction, an issue that has stymied officials at all levels of government for years.

President Trump is expected to sign an order Tuesday creating the White House Council on Eliminating Barriers to Affordable Housing Development, which will include members of eight federal agencies.

"These are things that can be solved. A lot of [these rules] have been on the books for excessive amounts of time. They're not particularly relevant any more," said Ben Carson, secretary of the U.S. Department of Housing and Urban Development, in an interview Tuesday with The Wall Street Journal.

Home construction per household is near the lowest level in 60 years of record-keeping, creating a shortage of everything from starter homes for young households to rental apartments for retirees on fixed incomes.

Cerberus Sold the First Post-Crisis Mortgage Bond Backed by Home Equity Lines | Bloomberg
Cerberus Capital Management has sold a kind of mortgage bond that hasn't been seen since the financial crisis. Not many financial companies are seen following in its footsteps.

The loans are harder to package into bonds than conventional mortgages because of the way they're put together. Home equity lines of credit, also known as Helocs, often allow a homeowner to borrow any time for five or 10 years, known as the drawdown period. After that there's a repayment period of 10 to 20 years. It's typically a floating-rate loan, and can be tapped in emergency situations, such as if a borrower loses his or her job.

STUDENT LOANS AND FOR-PROFIT SCHOOLS

DeVos Repeals Obama-Era Rule Cracking Down on For-Profit Colleges | New York Times
Education Secretary Betsy DeVos on Friday officially repealed an Obama-era regulation that sought to crack down on for-profit colleges and universities that produced graduates with no meaningful job prospects and mountains of student debt they could not hope to repay.

The so-called gainful employment rule was issued by the Obama administration in 2014, right before huge for-profit chains collapsed, leaving students stranded with debt and worthless degrees. Under the new standards, career and certificate programs, many of which operate in the for-profit sector, would have to prove their graduates could find gainful employment to maintain access to federal financial aid. It also would have required schools to disclose in advertisements a comparison of the student debt load of their graduates and their career earnings.

Student Loan Borrowers With Cancer are Supposed to Get a Break From Their Bills. That's Not Happening | CNBC
Last September, President Donald Trump signed into law a bill allowing people with cancer to press pause on their federal student loan payments.

More than nine months after the law took effect, borrowers still can't access the cancer deferment.

At issue seems to be this: The Department of Education has yet to provide the companies that administer its federal student loan programs with an official application for cancer patients to apply.

Elizabeth Warren, Cory Booker Take Aim at Student-Loan Company Merger | MarketWatch

Senator Elizabeth Warren, a Democrat of Massachusetts and Senator Cory Booker, a Democrat of New Jersey, wrote to the U.S. Department of Justice and Federal Trade Commission Wednesday asking the agencies to review a merger between Nelnet and Great Lakes, two firms the government hires to work with federal student loan borrowers. The two agencies monitor mergers for anti-competitive activity.

The merger, which was approved by regulators last year, dropped the number of major companies doing this work from four to three. As of December 2018, Great Lakes and Nelnet together were responsible for managing nearly 40% of outstanding debt held by federal student loan borrowers.

Bernie Sanders's Free College Proposal Just Got a Whole Lot Bigger | Vox

Sen. Bernie Sanders's proposal to make college free in the United States just got bigger: He wants to erase all student debt, too. All $1.6 trillion of it.

The Vermont senator will unveil the most ambitious higher education plan in the Democratic 2020 presidential primary so far on Monday. The proposal would make two- and four-year public and tribal colleges and universities tuition-free and debt-free, and erase the roughly $1.6 trillion in student loan debt currently owed in the US, paid for by a tax on Wall Street.

Currently, about 45 million Americans have student loans. This would cancel debt for all of them — regardless of their income or assets. That's a notable difference from Sen. Elizabeth Warren's free college proposal, which also provides broad debt relief but caps it for households with incomes over $250,000.

Sanders to Propose Canceling Entire $1.6 Trillion in U.S. Student Loan Debt, Escalating Democratic Policy Battle | Washington Post

Sen. Bernie Sanders (I-Vt.) will propose on Monday eliminating all $1.6 trillion of student debt held in the United States, a significant escalation of the policy fight in the 2020 Democratic presidential primary two days before the candidates' first debate in Miami.

Sanders is proposing the federal government pay to wipe clean the student debt held by 45 million Americans — including all private and graduate school debt — as part of a package that also would make public universities, community colleges and trade schools tuition-free.

Sanders is proposing to pay for these plans with a tax on Wall Street his campaign says will raise more than $2 trillion over 10 years, though some tax experts give lower revenue estimates.

Sanders will be joined Monday by Rep. Ilhan Omar (D-Minn.), who will introduce legislation in the House to eliminate all student debt in the United States, as well as Rep. Pramila Jayapal (D-Wash.), co-chair of the Congressional Progressive Caucus, who has championed legislation to make public universities tuition-free.

Democrats Are Finally Having A Serious Debate On Student Debt | HuffPost (Zach Carter)
It's a sign of the high caliber of debate within today's Democratic Party that the 2020 presidential primary now features competing plans for student debt relief from Sens. Elizabeth Warren (D-Mass.) and Bernie Sanders (I-Vt.). Both are ambitious efforts to mend a frightening rent in the American social fabric, but they reflect a subtle and deepening divide between the two candidates on major policy problems.

The central point of both plans is the same: All tuition and fees at public universities and colleges will be eliminated. In the future, both candidates imagine, the primary driver of student debt — expensive college education — won't exist.

But the plans diverge in how they deal with the $1.6 trillion in debt Americans have already accumulated.

Investors In Companies Profiting Off Student Loans Are Worried About Democrats' Proposal To Cancel Debt | The Intercept
Christopher Roy Donat, a financial analyst, mentioned canceling during an April conference call with Discover Financial Services, a financial conglomerate that services credit cards, student loans, and other financial products. Donat noted that "one of the Democratic presidential candidates put out a proposal that included canceling private student loans" — a clear reference to the plan Warren offered that month.

"Just how do you think about the potential for big changes in regulation of student loans, including your private student loans, not just the federal side?" he asked.

"I wouldn't read too much yet into the proposals of individual Democratic candidates," responded Roger Crosby Hochschild, chief executive of Discover. "I think we have a long way to go before anyone's elected or anything gets put into law." Hochschild noted that the student loan business "continues to perform well" and expressed confidence that little would change.

Analysts also raised the issue last month while questioning Steven McGarry, an executive with education loans giant Sallie Mae. At a conference in London hosted by the bank Barclays, McGarry gave a presentation on how his company continues to "expect to dominate the private student loan business," according to a webcast of his remarks.

If Student Loans Were Canceled? Great, But You May Still Owe Taxes On That Debt | Philadelphia Inquirer
Good news: If you have private student loans from the now-defunct ITT Technical schools, your loans have been canceled.

Bad news: You may owe taxes, as the IRS views the loans as income.

Pennsylvania's attorney general last week announced a national settlement for more than $168 million in debt relief for 18,000 former students of ITT Tech. In Pennsylvania, 570 former ITT Tech students are eligible for $5.3 million in debt relief.

ITT Tech pressured students by pulling them out of class and threatening expulsion if they did not accept the loan terms, the attorney general said. ITT filed for bankruptcy in 2016.

The reason students may still owe tax? Private student loans are treated differently from federal loans, especially when discharged.

Continuing Education: When For-Profit Argosy University Closed, Other Schools Rushed in to Help Students | Grand Forks Herald
In less than a week, veterinary technology students Mariah Banks and Bethany Einer went from attending classes and taking tests to not having a school to go back to. Einer and Banks were two of nearly 1,000 students at Argosy University in Eagan shut out in March when the school closed its doors with almost no warning.

Unlike other for-profit schools that have closed in recent years, Argosy didn't have a plan to "teach out" its existing programs. Students were left fearing tens of thousands of dollars and years of studies were wasted. The Minnesota Office of Higher Education, several area colleges and the state Legislature moved quickly to lend a hand. Now, many of the Argosy students have plans to finish their degrees somewhere else.

Scammed Student Loan Borrowers Accuse Betsy DeVos Of Illegally Stalling On Debt Cancellation Claims | MarketWatch
Fast forward to 2019, Corinthian Colleges collapsed amid allegations that the school misled students about job placement and graduation rates and Davis is still contending with the debt. In April 2015, Davis filed a claim with the Department of Education asking the agency to discharge her federal student loans.

Under a law known as "borrower defense," federal student-loan borrowers have a right to have their debt cancelled if their school defrauded them. When she filed her claim, Davis was seeking her rights under that law.

But she has yet to hear back from the Department. Meanwhile, her debt has ruined her credit, making it difficult for her to get a new car when she needed one or move up in her field of law enforcement, which often requires a credit check.

Now Davis is fighting back. She's part of a class-action lawsuit filed Tuesday, accusing the Secretary of Education, Betsy DeVos, and the Department of Education of illegally stalling their decision on at least 158,000 borrower defense claims filed by people like Davis.

The 'After' Picture of Student Loans: Credit Card Debt, Smelly Cars, Pawn Shops to Make Ends Meet | USA Today
When the Department of Education began garnishing her wages, Jen Thompson of Lansing, Michigan, knew something went terribly wrong with her student loans.

Two years earlier, straining under her $809 a month payment – nearly the same as her mortgage – she consolidated the loans for a $295 payment with a company advertising on the radio. It turned out to be a scam, and her account went into default.

As presidential candidate Bernie Sanders proposes an ambitious plan to eliminate all student debt, it's important to note how the financial fortunes of college graduates diverge depending on if they're paying back student loans.

People saddled with educational debt feel more financially insecure, engage in riskier money behaviors and have more trouble making ends meet than those without loans, according to an analysis of the 2018 Financial Capability study from the FINRA Investor Education Foundation provided exclusively to USA TODAY. It's even worse for borrowers who never finished their education.

A Report That Detailed Up To $1 Billion In Wasted Federal Funds On Bad Charter Schools May Have Underestimated The Problem | Washington Post
A few weeks ago, 11 people connected to online charter schools in California were indicted on criminal charges of grand theft, conspiracy, personal use of public money and financial conflict of interest. More than $50 million was stolen by the alleged conspirators. The nonprofit charter management company at the center of the scandal is known as Academic, Arts and Action Charter Academies, popularly known as A3 Education.

Voice of San Diego details a clear and comprehensive account of how, through the deliberate and fraudulent manipulation of enrollment, A3 was able to fleece millions of dollars from California taxpayers. But the story begins long before the founding of A3 Education.

[In California's charter world, a tangled web of for-profit companies and nonprofit schools]

From 2009-2015, McManus was the CEO of the Academy of Arts and Science Charter Schools for which he served as CEO from 2009-2016, developing his model of using cash-strapped, small districts as authorizers of online charter schools that draw students from all over adjoining counties in exchange for fees.

And who gave the seed money to start this adventure?

The U.S. Department of Education's Charter Schools Program (CSP) did.

SYSTEMIC RISK

AFR Education Fund Report: The Trump Administration, Wall Street, and the Next Recession

Watch: Bair: Banks Are Stronger, But Not Strong Enough | Bloomberg

Sheila Bair, founder of the Volcker Alliance & former head of FDIC, discusses stress test for U.S. banks and state of the banking industry overall. She speaks with Bloomberg's Alix Steel and David Westin on "Bloomberg Daybreak: Americas."

Watch: There's a Global Market Slump Ahead, Elliott's Paul Singer Says | Bloomberg

Fed Stress Tests Find Top Banks Are Strong, Setting Stage for Wave of Payouts | New York Times
The Federal Reserve said on Thursday that its annual tests of the financial strength of the 18 largest banks in the United States revealed that each had enough capital to justify paying some of it out to shareholders.

The clean bill of health is good news for big banks and their shareholders, but it could fuel concerns that federal regulators are embracing a laissez-faire approach to financial oversight.

Banks Announce Billions in Share Buybacks After Fed Approval | Associated Press
The nation's largest banks are rewarding shareholders by spending tens of billions raising their dividends and buying back stock after getting the green light from the Federal Reserve.

The Fed on Thursday said it had approved the capital plans the nation's 18 largest banks submitted as part of this year's stress tests. That means it determined the banks could raise their dividends and buy back more shares this year and still have enough capital to survive a hypothetical deep recession in the next year.

Immediately after the Fed's announcement, the major banks started unveiling their plans.

Wells Fargo Projects $17 Billion Loss During Severe Downturn in Latest Stress-Test Review | Winston-Salem Journal
Wells Fargo & Co. projected Friday it would experience an overall $17 billion revenue loss if the U.S. economy were to go through a severe downturn during a 2½-year period ending March 31, 2021.

For the period covered by the latest stress test, Wells Fargo projected having $27.4 billion in net revenue and a loan-loss provision of $35 billion. There also would be $8.7 billion in trading and counter-party losses and $700 million in realized losses on securities and other losses.

The projected losses and net charge-offs again would be spread across several categories totaling $26.1 billion in loan losses.

Wall Street's Lack Of Diversity Contributed To The Financial Crisis | CNN
It's widely understood that excessive leverage and greed set off the 2008 financial meltdown. But Sallie Krawcheck believes another force was at play: Wall Street's stark lack of diversity.

Krawcheck, a senior executive at Citigroup (C) and Bank of America (BAC) at the time of the financial crisis, said the white male-dominated trading floors and C-Suites led to groupthink that backfired, badly.

"Can you imagine if it was 50% females? Do you think the financial crisis would have been worse? Nobody does," Krawcheck told CNN Business on Thursday from the sidelines of the Fortune Brainstorm Finance conference in Montauk, New York.

Biggest US Banks Ace Stress Tests, A Good Omen For Dividends | Washington Examiner
The largest U.S. banks have more than enough capital to withstand a major economic shock, based on annual Federal Reserve stress test results released Friday that help determine how much the lenders can pay in dividends and spend on stock buybacks.

Under the harshest test scenario, a severe recession with unemployment spiking to 10% and the Dow Jones Industrial Average falling by more than 50% to about 12,800, evaluators projected that the banks examined this year would lose just 5.7% of assets, or $410 billion. That's a decrease from 7.5% six years ago.

Only 18 were evaluated, a product of Congress' decision last year to grant a break to smaller financial institutions from some of the regulatory scrutiny that followed the 2008 financial crisis.

Bank of America, PNC, and 2 Other Banks That Aced the Dodd-Frank Act Stress Test | Barron's
The results of the Dodd-Frank Act Stress test, released on Friday, could be good news for the stocks of a handful of big banks, according to a report out Monday morning from an analyst at Raymond James.

All 18 of the banks passed the Federal Reserve's test, as Barron's wrote last week. Now, Raymond James analyst David J. Long writes that the biggest winners include Bank of America (BAC), PNC Financial Services Group (PNC), Bank of New York Mellon (BK), and State Street (STT).

Big Banks Are Breezing Through Their Stress Tests. But The Results Could Be Deceiving. | Washington Post (Tory Newmyer)
Megabanks all sailed through the first half of their annual stress test from the Federal Reserve last week.

But industry watchdogs say the results should not assuage concerns about their readiness for the next economic downturn. It's not that the likes of Goldman Sachs, Morgan Stanley, JPMorgan Chase, Citigroup and Bank of America have gotten more resilient, they argue. Rather, the exam has gotten easier, part of a broader Trump-era push to roll back the post-crisis rules governing the financial sector.

Big Techs Raise Important Issues Globally Beyond Traditional Financial Risks | Forbes (Mayra Rodriguez-Valladares)
It is imperative that legislators and regulators globally work together to take stock of existing forums and regulations that may already exist to supervise big techs' financial service activities. Authorities also need to conduct a gap analysis to see what might be missing that needs to be created to protect the financial system from potential data privacy, competition, or financial

systemic risks that could arise with big tech. Since in many cases, big tech companies have activities that are crossborder, coordination among national and international authorities will be critical to insure that there are uniform regulations and supervision of big tech.

Randal Quarles Warns Of Vulnerabilities In The Global Financial System | Forbes (Mayra Rodriguez-Valladares)
In a letter to the G-20 at the Osaka Summit, Financial Stability Board Chair Randal Quarles, described the progress accomplished in post-financial crisis reforms. “Large banks hold more capital and liquidity, derivatives markets are more transparent, and securitizations are less complex,” Quarles said. While that statement is correct, it is important to remember that unfortunately the bar is very low. In the run-up to the 2008 financial crisis, big, internationally active banks were running around with as low as 2% common equity over risk-weighted assets and over-the-counter (OTC) derivatives transactions were largely uncollateralized, unsupervised, and opaque.

Securitizations, however, are not less complex now than they were before the crisis. Moreover, just in the last few months, big banks’ senior executives and boards of directors, in their never-ending chase for yield, have allowed Frankenstein’s financial engineer monsters to come back.

Banca Monte dei Paschi to Sell $1.3B of Bad Loans | American Banker
Banca Monte dei Paschi di Siena SpA is close to selling bad loans with a face value of more than 1.1 billion euros ($1.3 billion) to Cerberus Capital Management, Bank of America Corp. and Illimity Bank SpA, people familiar with the matter said.

The Italian bank is in final talks with Cerberus to sell a package of non-performing loans backed by real estate with a gross book value of about 500 million euros, the people said, asking not to be identified because the process is private. Bank of America is wrapping up talks to buy about 130 million euros of secured bad loans and Illimity is discussing the purchase of more than 500 million euros of unsecured corporate loans, the people said.

Liquidity and a ‘Lie’: Funds Confront $30 Trillion Wall of Worry | Bloomberg
The big worry is that the now-troubled European funds that embraced such investments, only to stumble when investors asked for their money back, are just the tip of the iceberg. Exposure to illiquid assets and poor-quality bonds has crept into funds as managers hunt for whatever returns they can find in today’s low-interest-rate world.

The question of liquidity -– the very essence of financial markets -- is now resonating on both sides of the Atlantic.

“It’s like air,” Eric Jacobson, a senior analyst at Morningstar Inc. said of the ability to readily buy and sell assets. “You can breathe it regularly, and it’s fine. But when you’re without it, you notice.”

Trump’s Trade Wars Thrust Farmers into Desperation Loans | Politico

President Donald Trump's trade wars are pushing America's rural economy toward a full-blown meltdown after years of financial hardship, causing more farmers to default on loans while putting the squeeze on agricultural lenders.

In Iowa earlier this month, Trump blamed his predecessors who "did nothing" about falling farm income, while crediting his own administration for "turning it all around."

Except he hasn't. Instead, his trade battles have accelerated the deterioration of financial conditions. Retaliatory tariffs from major trading partners like China and Mexico have slammed U.S. farm exports and taken a chunk out of commodity prices. And soaring debt levels are pushing more and more farmers and ranchers — already suffering from epic floods — toward insolvency.

TAXES

A Message From The Billionaires' Club: Tax Us | New York Times
Enthusiasm for a wealth tax on the country's thin sliver of multimillionaires and billionaires may be unsurprising — after all, most Americans wouldn't have to pay it. But now the idea is attracting support from a handful of those who would.

A letter being published online on Monday calls for "a moderate wealth tax on the fortunes of the richest one-tenth of the richest 1 percent of Americans — on us."

The "us" includes self-made billionaires like the financier George Soros and Chris Hughes, a Facebook co-founder, as well as heirs to dynastic riches like the filmmaker Abigail Disney and Liesel Pritzker Simmons and Ian Simmons, co-founders of the Blue Haven Initiative, an impact investment organization.

I'm In The 1 Percent. Please, Raise My Taxes | New York Times (Eli Broad)
There's a story we like to tell about American capitalism. Ours is a country that prizes merit, rewards risk and stands apart in its commitment to the collective success of open markets and the free flow of capital. We are a nation of strivers who can pull ourselves up by our bootstraps with the right combination of grit and determination.

That's the tale we love to tell and hear. But take it from a person who has found himself on the fortunate side of that narrative: This story is incomplete. For most people, our system isn't working.

The Daily 202: Democratic Candidates Keep Proposing Tax Hikes on the Rich to Pay for Ambitious Programs | Washington Post
While polls show people are generally supportive of higher taxes on the rich, enacting such tax increases has always proven more difficult. To understand the risks that national Democrats are taking, look to the states. In the midterm elections, for example, voters rejected ballot

referendums that would have raised taxes on six-figure wage earners to pay for public education in Colorado and universal home health care in Maine.

ELECTIONS, MONEY, AND POLITICS

Biden, Harris and Buttigieg Rack Up Big Money Support as 2020 Democrats Battle for Donors | CNBC
Democratic donors from across the country have been holding fundraising events and meetings for months trying to figure out who their preferred candidate is to take on President Donald Trump.

While they haven't decided on a favorite, many financiers have put their resources behind former Vice President Joe Biden, Sen. Kamala Harris of California and South Bend, Indiana, Mayor Pete Buttigieg.

All three have been taking part in fundraising events in some of the bigger coastal cities, such as New York, Boston, Los Angeles and San Francisco, where many fundraisers take place and influential bundlers reside.

Notes On Excessive Wealth Disorder | New York Times (Paul Krugman)
While popular discourse has concentrated on the "1 percent," what's really at issue here is the role of the 0.1 percent, or maybe the 0.01 percent — the truly wealthy, not the "$400,000 a year working Wall Street stiff" memorably ridiculed in the movie Wall Street. This is a really tiny group of people, but one that exerts huge influence over policy.

Where does this influence come from? People often talk about campaign contributions, but those are only one channel. In fact, I'd identify at least four ways in which the financial resources of the 0.1 percent distort policy priorities:

2020 Democrats' Campaign Finance Pledges, Explained | Vox
Democrats running for president in 2020 are making a big show of turning away top-dollar donors. Most of these campaign finance pledges sound good, and they are certainly better than not making such a promise. But these are not necessarily airtight safeguards against money buying influence with presidential candidates.

"For years, candidates for both parties publicly declared support for limiting money's influence on politics but then privately exploited every campaign finance loophole they could find," Brendan Fischer, director of federal reform at the Campaign Legal Center, says. "We're in an entirely different environment this cycle, and I think that's a good thing."

Corporate PACs, something every Democrat running for president has sworn off, tend to provide a relatively small chunk of the money, Fischer told me. So turning down their support probably isn't going to hurt a candidate's bottom line too much. Rejecting PAC money also isn't the same as rejecting support from high-level executives.

Joe Biden Has Been Talking About Income Inequality A Lot Lately — To His Rich Donors | Vox

Over seared ahi tuna, langoustine tail, cocktails, and caviar, in settings ranging from the home of a former Boston Red Sox CEO, to a Las Vegas casino, to the Carlyle Hotel in Manhattan, Joe Biden's donors have been listening to the frontrunner for the Democratic nomination explain that everyday people feel left behind. The former vice president has been talking to rich people about income inequality a lot lately.

"People feel like they're being completely left out and they are," Biden said during a recent fundraiser at the Washington, DC, home of a former ambassador, to a group that included lobbyists and former Sens. Chris Dodd and Evan Bayh. "We just stopped talking to these folks."

Which Presidential Candidates Are Getting the Love From Financial Services? | Financial Advisor IQ

As the nation argues over who won last night's Democratic debate, there's no need to wonder which presidential candidates are getting the most love — campaign contributions — from the financial services industry.

President Donald Trump's re-election campaign fundraising numbers from securities and investment industry-affiliated contributors has far outpaced any of his potential Democratic rivals.

Johnson Courts Financiers in Race to Become British PM | Reuters

Boris Johnson, the frontrunner in the race to become Britain's next prime minister, has met hedge fund and private equity executives to raise donations for his leadership campaign, according to sources familiar with the matter.

Johnson, who on Tuesday reaffirmed his determination to take Britain out of the European Union on Oct 31, is seeking to build up a war chest for his campaign and rebuild ties with executives, which were strained last year by his expletive four-letter-word attack on business.

Johnson, 55, held a breakfast meeting on June 18 with potential donors at 5 Hertford Street, a private members' club in London's wealthy Mayfair district, the sources said. The club has a strict dress code which requires men to wear a jacket, except on the dance floor after 23:00.

Kamala Harris Set To Raise Money With Former Wells Fargo Executive | Huffington Post

A former Wells Fargo executive who defended the bank during its massive fake accounts scandal is hosting a fundraiser for Democratic California Sen. Kamala Harris' presidential campaign on Saturday, according to an invitation obtained by HuffPost.

The former executive, Miguel Bustos, worked from 2013 to 2017 as Wells Fargo's senior vice president of government and community relations, where he oversaw lobbying and community outreach efforts in six western states: California, Oregon, Washington, Alaska, Montana and Utah.

Bustos is hosting a fundraiser for Harris on Saturday night in San Francisco, timed to coincide with the city's Pride Weekend celebrations and one day before the crucial second-quarter fundraising deadline.

The minimum donation for an attendee is $500, while "supporters" need to contribute $1,000 and "sponsors" who get a photo with Harris need to contribute the federal maximum donation of $2,800.

Watch: Bernie Sanders: We are going to take on Wall Street | Yahoo Finance
Democratic presidential candidate Bernie Sanders argues we need to change the power structure in America in order to have a government that represents all Americans, not just big-money interests.

OTHER TOPICS

Why Regulation Isn't Enough To Curb Bad Behaviour Of Credit Rating Agencies | Business Standard (Misheck Mutize)
A number of studies have identified the issuer-pay revenue model as a key driver of conflict of interest. Here are four reasons why I think the current attempts to regulate ratings agencies will not address conflict of interest.

The first big problem is the relationship between the rating agencies and the issuers. This relationship naturally creates pressure for both the lead rating analyst – around which the whole rating process is centred – and the ratings committee to give favourable ratings over time.

This is how the process works: after an issuer contracts a rating agency, the ratings agency assigns an analytical team (lead and support analysts) to gather information about the entity from different sources they deem credible. The analytical team makes recommendations to a ratings committee, convened by the lead analyst. The lead analyst also determines the size and composition of the ratings committee based on the size and the complexity of the credit analysis.

Trump Has Been Putting Pressure on His Fed Chief for Nearly a Year — and it's Raising Serious Questions About How the Central Bank is Supposed to Function | Business Insider
In the early 1970s, President Richard Nixon handily won another term in the White House after pressuring his Federal Reserve chairman to keep interest rates low. There was a catch, though: the American economy entered a decade of turbulence, plagued by periods of double-digit inflation. That cautionary tale has long served to keep those in the Oval Office publicly mum on monetary policy — until recently.

For evidence of that, consider what President Donald Trump has done in the last year alone: He's pressured the Fed to slash interest rates, reportedly sought to remove central bank chief Jerome Powell, and attempted to install political loyalists on its policymaking board.

College Scandal Mastermind Had Longstanding Ties with Morgan Stanley Advisors, News Reports | Financial Advisor IQ
Morgan Stanley's financial advisors didn't just make introductions for wealthy clients to the mastermind in the sweeping college admissions bribery scandal: in at least one case, a Morgan Stanley complex manager was one of the clients herself, according to news reports.

William "Rick" Singer, the founder, CEO and master coach of the Key Worldwide Foundation, pleaded guilty in March to racketeering conspiracy, money laundering conspiracy, conspiracy to defraud the U.S., and obstruction of justice, as reported.

His connection to wealth management firms, Morgan Stanley in particular, went back "many years" before federal investigators uncovered the scheme that included bribing college sports program coaches and rigging entrance exams, the Los Angeles Times writes.

Watch: The Men Who Stole The World: Inside The 2008 Financial Crisis | Al Jazeera

Facebook's Crypto Plans Look a Lot Like the Ones the SEC is Trying to Stop | MarketWatch
A bold plan to launch a new cryptocurrency by Facebook and partners looks a lot like the plans of another firm the Securities and Exchange Commission is now suing to stop.

Libra is a "global, digitally native, reserve-backed cryptocurrency built on the foundation of blockchain technology," according to the Switzerland-based not-for-profit membership organization formed to run the initiative, Libra Association. The Libra Association says it will "be raising money in a private placement to help jumpstart the ecosystem and drive adoption."

Ultimately, Libra aspires to become an alternative payment system for real world goods the way Kik Interactive, a Canadian social-media messaging company that was sued by the SEC on June 4 for raising $100 million allegedly without registering the offering, sought to become the go-to currency for digital assets.

Facebook's Libra Must Be Stopped | Project Syndicate (Katharina Pistor)
Facebook has just unveiled its latest bid for world domination: Libra, a cryptocurrency designed to function as private money anywhere on the planet. In preparing the venture, Facebook CEO Mark Zuckerberg has been in negotiations with central banks, regulators, and 27 partner companies, each of which will contribute at least $10 million. For fear of raising safety concerns, Facebook has avoided working directly with any commercial banks.

The question is whether governments understand the risks to financial stability that such a system would entail. The idea of a private, frictionless payment system with 2.6 billion active users may sound attractive. But as every banker and monetary policymaker knows, payment systems require a level of liquidity backstopping that no private entity can provide.

For its 150th Birthday, Goldman Sachs Has Given Itself a 150-Minute Ric Burns Miniseries | Vanity Fair

Goldman is an inescapable American institution, a part of history, and now, like the Civil War and New York City and baseball, on the occasion of its 150th birthday, it has its own multipart documentary series directed by someone named Burns. Unlike those other institutions, though, it paid for the documentary itself, for what has to be an eight-figure sum (it declined to say how much it spent), given the luscious production values. Among its other gifts, Goldman has always had a near-obsession for selling itself, its intelligence, its civic-mindedness. Goldman Sachs at 150 is the most expansive expression yet of this impulse.