AFR Americans for Financial Reform

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THE WELLS FARGO CASE (CONT'D)

Senators heap criticism on Wells Fargo CEO, who apologizes I Washington Post
The CEO of Wells Fargo faced accusations of fraud and calls for his resignation Tuesday from harshly critical senators at a hearing over allegations that bank employees opened millions of accounts customers didn't know about to meet sales quotas. Members of the Senate Banking Committee showed bipartisan outrage over the long-running conduct, unsatisfied by Chief Executive John Stumpf's show of contrition. Stumpf said he was "deeply sorry" that the bank failed to meet its responsibility to customers and didn't act sooner to stem "this unacceptable activity." He promised to assist affected customers.

Sen. Elizabeth Warren flatly told Stumpf he should step down. "You squeezed your employees to the breaking point so they would cheat customers," she said. "You should resign. You should give back the money you took while the scam was going on."

How to Make Sure Bad Bankers Are Held Accountable I American Banker (Marcus Stanley)
[P]erhaps the most shocking aspect of this story is that no executive under whose watch it occurred has been forced to return any compensation. While over 5,000 front line, mostly customer service employees have been fired, former consumer banking chief Carrie Tolstedt, who oversaw their work, recently retired with a $125 million compensation package. It is unclear if Wells Fargo plans to take back any of this pay package. There is similarly no clear indication that Wells Fargo CEO John Stumpf will have to return any of the almost $100 million in bonus pay he received for the years in which the violations were occurring.
This is just the latest example of the lack of executive accountability for illegal activity at major banks. Although tens of billions in penalties have been levied at big banks for mortgage fraud and other illegal activities during the financial crisis, there is no evidence that key executives have ever had to pay back bonuses connected to these activities.
Common sense tells us that top executive accountability is crucial to changing bank culture and preventing further abuses. Yet our current system of regulatory and legal oversight seems to be terrible at achieving it.
What should be done to stop banks like Wells Fargo from scamming us? I Medium (Brian Simmonds Marshall and Alexis Goldstein)
Wells Fargo's CEO John Stumpf deserves every bit of the anger that the Senate Banking Committee directed at him for leading Wells Fargo while it created more than 2 million fake deposit and credit-card accounts, and then charged unknowing customers for them… [B]what should be done to stop banks from scamming us? **Americans for Financial Reform** has five proposals:

- Defend the agency that protects us from scams
- Crack down on out-of-control sales quotas that fuel fraud
- No giant bonuses for scamming customers;
- Fight "ripoff clauses" that deny us our day in court; and
- Hold senior executives accountable when they break the law, civilly and criminally

Why Wells Fargo got away with it for so long I The Hill (Robert Weissman and Lisa Donner)
Wells Fargo's scandalous practice of secretly opening more than 2 million sham deposit and credit card accounts dragged on for at least five years. How did Wells Fargo get away with it for so long? A big part of the story: Wells Fargo contract provisions blocked consumers from suing the bank in court. It's past time to prohibit the "ripoff clauses" that prevent consumers from enforcing their most basic legal rights. Like most big banks and many other corporations, Wells Fargo buries ripoff clauses in the fine print of its customer contracts. These

provisions, also known as "forced arbitration" clauses, prevent consumers from suing over wrongdoing in court and prohibit consumers from banding together in class actions. Instead, ripoff clauses force consumers to seek redress in private arbitration, on an individual basis. So when lots of consumers have suffered small harms — as was the case with Wells Fargo — there's nothing they can do.

Will the Warren v. Wells Fargo Stand Off Bring Real Change? I WNYC Radio (Alexis Goldstein)
Stumpf took responsibility yesterday, but has not yet resigned, much to U.S. Senator Elizabeth Warren's ire. "This is about accountability," Warren said. "You should resign. You should give back the money that you took while this scam was going on, and you should be criminally investigated by the Department of Justice and the Securities and Exchange Commission."

Alexis Goldstein, senior policy analyst for **Americans for Financial Reform**, joins The Takeaway to discuss the hearing's highlights, and the prospects of further regulation and punishment.

Grassroots Activists, Elizabeth Warren Put Wells Fargo CEO John Stumpf on Hot Seat I LA Progressive (Dreier)
Last year the Committee for Better Banks delivered a petition signed by more than 11,000 people to Stumpf, along with a letter noting that workers faced "pressures to meet sales quotas under strict monitoring and threat of losing their jobs, often forcing them to push unnecessary products and fees on to their customers, causing them stress and financial hardship," and that loan servicing departments have been using similar tactics to push consumers toward riskier products they can ill afford.

The group has now launched a petition asking elected leaders in Los Angeles and other cities around the country to ban all city business with banks that force their employees to meet sales goals for high fee products such as credit cards, new accounts and home refinance loans. They say that these incentive programs create a system where bank workers are forced to engage in predatory practices against their professional and ethical beliefs…

GOP presidential nominee Donald Trump has called for dismantling nearly all of the Dodd-Frank reforms. In contrast, Democratic nominee Hillary Clinton last week touted the CFPB's "forceful response" to the Wells Fargo scandal, adding that it was "a stark reminder of why we need a strong consumer watchdog to safeguard against unfair and deceptive practices."

Echoed Lisa Donner, executive director of **Americans for Financial Reform**, a DC-based watchdog group that has played an important part in defending the CFPB from its opponents: "The current Wells Fargo scandal reveals why we need a strong regulatory agency that has the backs of bank consumers as well as employees."

Sen. Elizabeth Warren says Wells Fargo executives should give back bonuses I Washington Post

What Will Wells CEO Tell Senate About Fiasco? I Huffington Post (Ed Mierzwinski)

Here's Why Republicans Are Suddenly Demanding Tougher Bank Regulation I Huffington Post
Republicans typically attack the CFPB for being good at its job. The agency has returned over $11 billion to a total of 25 million bilked consumers in its first five years, and every dollar that goes back to customers is a dollar that a financial firm doesn't get to book as its own profit. Banks, payday lenders and other operators have spent a lot of money on lobbying and campaign contributions to stem this cash outflow. And Republicans have responded by crafting legislation to tie up the CFPB with red tape and made it harder to enforce its consumer protection rules. Both the House and Senate are currently pushing bills that analysts at the investment bank Keefe, Bruyette and Woods describe as "weakening" the agency. But now, the CFPB is facing heat from Republicans — ironically, this time, for not regulating Wells Fargo hard enough.

I called the Wells Fargo ethics line and was fired I CNN Money

'It goes well beyond Wells Fargo': Concerns grow over sales tactics in banking industry I Washington Post
For Oscar Garza, career success was measured one account at a time. The Chase personal banker said he had a month to persuade customers to open 40 checking or savings accounts and 15 credit cards. Meeting that goal would mean an extra $800, but failure could lead to his termination. "You either do this or you're out,"

Garza said. The stakes were so high, Garza says, that his managers encouraged him to enter false income information or to accept questionable identification documents in order to speed approval for new accounts. Other times, he said, he would run a customer's credit history without their permission to determine if they qualified for a credit card. Such corner-cutting sales tactics — and worse — have become a new flash point in the debate over whether, eight years after the financial crisis, U.S. regulators are doing enough to hold Wall Street accountable for bad behavior.

Wells Fargo schemes prove the value of vigorous bank regulation I Kansas City (Mary Sanchez)
The Financial Choice Act, pushed by Jeb Hensarling, a Republican from Texas, seeks to roll back many of the checks and balances set in place by the Dodd-Frank Wall Street Reform and Consumer Protection Act, which was enacted after the financial crisis of 2008. Many Democrats admit that Dodd-Frank, like many sweeping laws, could benefit from a rewrite of certain passages. However, the Wells Fargo script shows clearly that regulators must remain vigilant. And the congressional friends of the big banks must not be allowed to muzzle the public's watchdog.

Wells Fargo Customers Accuse Bank of Fraud, Negligence I Consumerist
The question is whether or not these plaintiffs will even be able to have a court hear their case. Wells Fargo is one of the many companies that use arbitration clauses in their customer agreements to prevent customers from filing lawsuits or joining together in class actions. In May 2015, a California man filed a similar complaint, alleging that Wells had opened up at least seven accounts in his name without authorization. However, four months later, the court granted the bank's motion to compel arbitration in that case. The Consumer Financial Protection Bureau is currently weighing rules that would limit banks' ability to use arbitration clauses to block class actions. The rules have yet to be finalized and will most certainly face a legal challenge before they can be enforced.

Wells Fargo Customers May Never See Their Day in Court, Experts Say I NBC News
A class-action lawsuit filed against Wells Fargo last week might be hamstrung at the starting line, legal experts say. Customers who had bank or credit card accounts opened in their name without their knowledge face an uphill battle even getting a court to hear their case because of mandatory arbitration contract clauses that protect banks from class-action suits, consumer advocates say.

"They're going to come up against that arbitration clause," said Amanda Werner, arbitration campaign manager for the **Americans for Financial Reform** and Public Citizen. "We see things like this all the time," she said.

The Infuriating Reason Wells Fargo Got Away With Its Massive Scam For So Long I Huffington Post (Emily Peck)
How did Wells Fargo get away with ripping off its banking customers for so long? The Consumer Financial Protection Bureau and the City of Los Angeles recently fined Wells Fargo $185 million for five years of misbehavior, but now congressional Republicans are asking why this didn't happen faster.

Their bewilderment, however, is in itself rather bewildering, if not downright disingenuous. Not only has the GOP consistently opposed the very existence of the CFPB, but Republicans have more recently registered strong opposition to specific new rules proposed by the agency that would have helped bring Wells Fargo's misconduct into the open sooner.

Elizabeth Warren Grills Wells Fargo CEO, Hillary Clinton Feels the Heat I The Daily Beast
Hillary Clinton has made it a campaign issue, but her response highlights why some progressives feel so conflicted about the Democratic nominee. She's far and away preferable to Donald Trump, of course, in their view. But they're still wishing for more—especially after watching Elizabeth Warren grill Stumpf on Tuesday...

Alexis Goldstein of **Americans for Financial Reform** said Clinton's use of the term "clawback" is a good sign and that she thinks it may be an endorsement on Clinton's part of stricter rules regarding executive pay.

"The amount of the fine by the three regulators, which is $185 million total, should be paid for out of executive bonuses, specifically Stumpf's and one executive, Carrie Tolstedt," Goldstein added.

Big banks' predatory practices hurt customers and workers I The Hill (Chris Shelton)

Earlier this month, the Consumer Financial Protection Bureau levied the biggest fine in the agency's history -- $100 million -– against Wells Fargo, to stop the predatory banking practices that are harming consumers and to stop managers from pressuring workers to "meet impossible sales goals or lose your job." Combined with penalties levied by other agencies, Wells Fargo must pay $185 million, provide full refunds to consumers, and ensure proper sales practices. These predatory tactics run the gamut from pushing multiple credit card accounts to opening home equity lines of credit that could jeopardize the homeowner's property or opening accounts and products in a customer's name without the customer's consent. Today, the Senate Banking Committee will examine the aggressive and unfair sales tactics of Wells Fargo and other big banks. It's important, however, that senators see the root of the problem: the extreme pressure these banks put on low-wage employees to generate sales or face discipline and termination.

Barr attacks reformers but not Wells Fargo I Lexington Herald Leader (Editorial)
OK, we get that in face of the scandal unrolling at Wells Fargo it's hard for big-bank-loving Republicans like our own U.S. Rep. Andy Barr to keep whining about the Dodd-Frank Wall Street Reform act that created an agency to keep an eye on big banks.

Political Fight over CFPB Heats Up After Wells Fargo Scandal I Wall Street Journal
Despite consistently opposing the CFPB and proposed new legislation that could expose scams like those practiced at Wells Fargo sooner, Congressional Republicans are questioning why it took the CFBP so long to step in

Wells Fargo CEO faces bipartisan wrath during fiery Senate panel hearing I LA Times

Calls for Wells Fargo CEO John Stumpf to step down are getting louder I CNN Money

Buffett won't discuss Wells Fargo scandal until November I Washington Post

Dems call for probe into Wells Fargo's wage practices I The Hill Wells Fargo CEO resigns position on Fed advisory body I Washington Post

Finally, something that unites Congress: Outrageous corporate behavior I Washington Post
Despite years of political gridlock, both Democrats and Republicans are hammering the CEOs of Wells Fargo and Mylan for the effect of their improper business practices on consumers.

Wells Fargo's Fraud Highlights Need for Executive Pay Reform I Roosevelt

Large banks are removing your right to jury trial I Philadelphia Daily News (Janet Colliton)
In this area of Southeastern Pennsylvania we are well accustomed to our smaller banks being eaten up by ever larger banks and the transitions these moves involve. One of the transitions for which we might not be prepared is that 9 of 10 larger banks have been found in a recent study by Pew Charitable Trusts to have included waivers of jury trial in their agreements. What this means is that, if you have a claim against one of these banks, you would no longer have the right to be heard by a jury of your peers.

Why the Wells Fargo Scandal Shows the Need to End Forced Arbitration I AFJ (Aaron Jordan)

Mandatory Arbitration Clause Could Thwart Wells Fargo Customers' Lawsuits I Insurance Journal

Why Wells Fargo customers can't sue over bogus accounts I LA Times

How Do Arbitration Clauses Work? I NBC Los Angeles
Most companies, like Wells Fargo, include arbitration clauses in contracts or agreements associated with opening accounts. These arbitration clauses make it impossible for consumers to sue the company in the event of wrongdoing, and must instead go to arbitration court. NBC LA provides tips on how to take action anyway.

In Wells Fargo's Bogus Accounts, Echoes of Foreclosure Abuses I New York Times

In afterglow of Wells case, U.S. consumer agency faces fight for its life I Reuters

CONSUMER FINANCE & THE CFPB

Members of Congress want safe harbor provision in CFPB's final arbitration rule I Legal NewsLine
The leaders of a Congressional subcommittee are urging the Consumer Financial Protection Bureau to include a safe harbor provision in its final set of rules prohibiting arbitration clauses that prevent class action lawsuits.

U.S. Reps. Randy Neugebauer, R-Texas, who chairs the House Financial Services Committee's Subcommittee on Financial Institutions and Consumer Credit, and William Lacy Clay Jr., D-Mo., the subcommittee's ranking member, sent their letter to CFPB Director Richard Cordray Sept. 7. Both asked the bureau to consider providing a safe harbor in its final rules that allows financial companies to retain class action waivers in their arbitration clauses. A safe harbor refers to a legal provision to reduce or eliminate liability in certain situations as long as certain conditions are met.

Prepaid Cards' Growing Popularity Catches Regulator's Eye I Wall Street Journal
Prepaid cards, which started out as simple gift cards from retail stores, have morphed into popular financial-management tools with functions that rival bank checking accounts. Now regulators are playing catch-up, with plans to roll out a rule this fall that would bring oversight of the sector closer to regulations covering banks. The coming rule from the Consumer Financial Protection Bureau marks the federal government's first comprehensive effort to police the market, which caters to tens of millions of Americans, many of whom are lower-income and have either no or limited access to regular bank accounts.

Alabamians Used Payday Loans 2 Million Times in 2015 I Associated Press
Alabamians took out more than two million payday loans in the last year with borrowers taking an average of eight loans each, according to numbers from the state's new payday loan database.

The state Banking Department on Wednesday presented information captured by a state payday database to members of the Alabama Consumer Credit Task Force, a group designated with recommending changes to Alabama's consumer credit laws, including the laws that govern the payday loan industry.
The numbers indicated that almost 2.1 million loans were taken out since the database was initiated in August of 2015. There were 246,824 unique borrowers that went to payday lenders for money, according to the database.

Council to Consider Resolution Regarding Payday Lending Rules I Springfield (Mo.) News-Leader

Alabama Payday Lending Database Shows Promise I Dothan Eagle

We Must Close the Payday Loan Debt Trap Once and For All I San Diego Voice (Julianne Malveaux)

Court Ruling Deals Payday Lenders a Hard Blow I Philadelphia Tribune

This Innovative Idea Can 'Unshackle' Poor People from Payday Loans I PBS
The premise is simple: a small group of people chip in a certain amount of money every month, and each month, one person gets the loan until everyone has received one. The loan has zero interest, and the monthly payment is reported to credit bureaus to help participants build or repair their credit scores. This gives participants access to credit in the financial mainstream and helps them avoid predatory alternative financial services, such as payday loans, which often drive people deeper into debt.

This concept of lending circles is not new, but Quiñonez has built upon a widely used practice in the informal economy to give people more financial freedom. His work has led to the MacArthur fellowship — a $625,000 grant for fellows who have a "track record of significant accomplishment."

Post Office Banking: An Old Idea Getting a Second Look I Christian Science Monitor
Until the 1960s, people could turn to the post office to deposit money or build a savings fund. Born out of the financial crisis known as the Panic of 1907 and taking off in popularity after the Great Depression, postal banking flourished for a time — at one point holding about 10% of all commercial banking assets in the U.S. — before the system was abolished in 1966, when community banks proliferated.

Now, in the years since the Great Recession, consumer advocates like Sens. Elizabeth Warren, D-Mass., and Bernie Sanders, I-Vt., have proposed reviving the service, a sort of public option for banking, available to all regardless of circumstance or location.

DERIVATIVES, COMMODITIES & THE CFTC

The Secret Law for Wall Street l National Review

Also see "Systemic Risk" section for stories about bank ownership of commodities

DODD-FRANK (AND CONTINUED ATTACKS)

Why it Matters: Wall Street Regulation l New York Times
Eight years on, the economy's recovery from the havoc brought by the financial crisis has been halting and slow. And popular resentment still smolders over the multibillion-dollar bailout by U.S. taxpayers of Wall Street mega-banks and financial firms in the crisis. It gave a big lift to Sanders' upstart campaign. It also created some heartburn for Clinton because of her financial connections. She and husband Bill have collected tens of millions of dollars in speaking fees from Wall Street banks, insurance companies and other financial firms. Over her 15-year political career, she's received tens of millions in campaign donations from people in the finance, insurance and real estate industries. Beyond their stake as taxpayers, American consumers have an interest in the financial regulations that came in after the meltdown. The Dodd-Frank law set up the Consumer Financial Protection Bureau, which expanded regulators' oversight of mortgage firms, credit card issuers, payday lenders, student loan providers and others. Debate rages over whether Wall Street banks still are "too big to fail" — with government bailouts inevitable. Critics of Wall Street say bigger banks can mean reduced competition and higher fees for consumers. Several of the banks did get bigger as they absorbed failing institutions during the crisis.

Let's think again about whether Dodd-Frank worked l Chicago Tribune (Tyler Cowen)

HEDGE FUNDS AND PRIVATE EQUITY FUNDS

The Regulation of Hedgefunds l Journal of Business Law
Hedge funds are deliberately structured to sidestep legislative strictures, disclosure and other compliance requirements imposed on institutions raising funds for their activities and as such operate within the cracks of the law. Consequently, there has been much discussion on whether hedge funds should be regulated. Those disfavouring regulation see hedge fund activity as generating efficiency in the marketplace including securities markets by "mitigating price downturns, bearing risks that others will not, making securities more liquid, and ferreting out inefficiencies". Those fearful of financial market failure and its contagion effects, however, argue for varying degrees and forms of regulatory intervention aimed at several different levels: the fund itself (as with the case of a corporate entity); the managers of the fund (in respect of their investment strategies); investors into the fund (investment unit holders as well as creditors); and intermediaries such as broker dealers who facilitate the transactions of the fund. This paper evaluates these claims, as well as exploring the most effective point of regulatory intervention from an investor perspective.

See stories below about insider-trading charges against Leon Cooperman.

INVESTOR PROTECTION AND THE SEC

SEC accuses hedge fund manager Cooperman of insider trading l Washington Post
Federal regulators have accused high-profile hedge fund manager Leon Cooperman and his firm of illegally trading on confidential information he learned from a company executive. The Securities and Exchange Commission announced the civil insider-trading charges Wednesday against Cooperman and his firm, Omega Advisors. The SEC also alleged that Cooperman tried to cover up the misconduct. Cooperman, 73, who is well known in Wall Street circles and appears frequently on the CNBC business cable network, is disputing the allegations. The SEC indicated it was sending a message that well known and wealthy people aren't exempt from its efforts to pursue insider trading.

Leon Cooperman, a Billionaire Charged With Insider Trading, Prepares to Fight I New York Times
Leon G. Cooperman, one of the early titans of the hedge fund industry, is gearing up for the biggest fight of his career: preserving his Wall Street legacy as regulators accuse him and his multibillion-dollar firm of insider trading. The stakes are high, too, for the Securities and Exchange Commission, which on Wednesday sued Mr. Cooperman, a 73-year-old billionaire, accusing his firm, Omega Advisors, of reaping $4 million in illegal profit by using nonpublic information about an energy deal in 2010. The case is the most prominent to be brought by the agency since a court ruling that narrowed the definition of insider trading.

Hedge Fund Titan Accused of Insider Trading Called Obama 'Class Warrior' I Fortune

SEC awards $4M to whistleblower I The Hill (Devaney)
The Securities and Exchange Commission (SEC) on Tuesday awarded $4 million to an anonymous whistleblower who tipped the agency off to fraud. This is part of a larger effort by the Wall Street regulator to crack down on financial crime. The SEC has now issued more than $111 million in whistleblower awards since the program launched in 2011. Whistleblowers who help the SEC spot fraud are eligible for as much as 30 percent of the money collected.

SEC Investigating Exxon on Valuing of Assets, Accounting Practices I Wall Street Journal

MORTGAGES & HOUSING

Lenders Have Adjusted to New Mortgage Rules: CFPB I National Mortgage News
Speaking at a conference on Monday, Peggy Twohig, the CFPB's assistant director of supervision policy, said the agency "is finding that both banks and nonbanks have generally adjusted their business models and practices to comply with the new mortgage origination rules."
"Our supervisory work has generally found adequate compliance systems and compliance with the ability to repay and the loan origination compensation rules," she told the Mortgage Bankers Association conference. "And with some exceptions we have not found any violations involving unfair and deceptive practice in mortgage origination examinations."
Lenders Need to Help Borrowers with Limited English Skills, HUD Says I American Banker

POLITICAL INFLUENCE OF WALL STREET

Regulators Lean on Financial Firms to Explain Industry to Them, Study Shows I Wall Street Journal
Financial regulators often rely heavily on the companies they oversee to explain how their businesses work, a potential red flag, according to a survey of regulators and industry members. The survey, commissioned by the CFA Institute, an association of investment professionals, was aimed at assessing the prevalence of "regulatory capture," the idea that regulators can end up being co-opted by the industry.

Respondents to the study, who were interviewed on the condition of anonymity, said regulatory capture was rare and the result of "bad apples," not a systemic problem. The large majority of the 73 respondents came from the U.S., with the rest coming from Canada, the U.K. and Asia. About a third of were regulators; the remainder worked in the financial sector. Despite their confidence that regulatory capture wasn't a pervasive issue, the respondents said industry had much more influence on regulators than investors did, agreeing that investor voices were "generally underrepresented in nearly all markets." Several respondents also noted that relationships between industry professionals and regulators could be "useful" in influencing regulation.

REGULATION IN GENERAL

Reviewing the REVIEW Act I Legal Planet
The Review Act, passed by the House in the past week, requires that any high impact ruling cannot be implemented after the judicial review process is over. Dan Farber, Professor at UC Berkley Law, says exceptions need to be made for issues of national security and emergency legislation so that urgent laws are not delayed by groundless concerns.

Lemonis on Trump's call for de-regulation: Regulation hasn't stopped my business I CNBC
"To think the removal of regulation is going to accelerate growth, sure, if you make banking easier and getting a home mortgage easier, yeah you're going to sell more homes," Lemonis said. "And then what are we going to do with the defaults that happen at the end?" Lemonis is the CEO of Camping World and has invested more than $35 million of his own money in several businesses as the star of CNBC's turnaround show "The Profit." In 1996, Lemonis lost a bid for Congress running as a Democrat. "I can't think of any [regulation] that's really prevented me from growing. I can't think of it," he said. "I'll try, but I can't think of it."

Sen. John McCain says Obama administration's excessive regulation cost at least $348.7B I AZ Central
Sen. John McCain says excessive regulation by the Obama administration is costing hundreds of billions of dollars. In a report released Tuesday, the Arizona Republican cites 25 examples that include the familiar, such as regulations that implemented the "Obamacare" health-care-reform law and those that were part of the reform of the financial sector. But several are focused specifically on Arizona, including restrictions on boating at Lake Havasu and an attempt to block the manufacture of artificial snow at a ski resort in the state. McCain says the 25 regulatory actions cost at least $348.7 billion.

Practical Fixes for a Broken Washington I Wall Street Journal (Howard)

House passes bill to block high-cost regulations under litigation I The Hill

House Republicans ask agencies for list of 'midnight rules' I The Hill

Cost-Benefit Analysis and Social Welfare Functions I Reblog (Matthew Adler)

GOP lawmaker: Americans ruled by a 'regulatory superstate' I Washington Examiner

Fighting the huge hidden tax of federal regulation I newsbf.com

RETIREMENT SECURITY & FIDUCIARY DUTY RULE

Opponents of DOL fiduciary rule hurt by Wells Fargo woes I Investment News
Wells Fargo chief executive John Stumpf achieved a rarity in Washington on Tuesday: bipartisan consensus. Unfortunately for him, the agreement across the aisle at a Senate Banking Committee hearing was that Wells Fargo failed to do what's right for its retail banking customers.

Although the investment advice unit of the bank has not been implicated in the problem, Mr. Stumpf's appearance on Capitol Hill was a setback for opponents of a Labor Department rule that raises advice standards for retirement accounts…

[Senator Elizabeth Warren's] enthusiasm for protecting the DOL fiduciary rule from Republican legislative attempts to kill it — perhaps in an omnibus appropriations bill at the end of the year — likely has only been stoked by her anger at Wells Fargo.

The bigger problem for opponents of the DOL rule is that Republicans were almost as hard on Mr. Stumpf as the Democrats were.

Study says DOL fiduciary rule to cost the securities industry $11B by 2020 I Investment News

Senate committee unanimously approves bill to ease use of annuities in 401(k) plans I Investment News

STUDENT LOANS & FOR-PROFIT EDUCATION

The fine print of for-profit schools I Michigan Daily (Kim)
Forced arbitration: It's a tactic used by corporations to avoid being held accountable in a court of law for detrimental, and possibly illegal, activities against consumers. Over the past several years, it has become increasingly difficult to apply for necessities such as an auto loan, a cell phone contract or even cable and

internet service without being subjected to a hidden arbitration clause. Time Warner Cable, Comcast, Wells Fargo and many others use this scheme to circumvent courts and prevent consumers from joining together in class-action lawsuits, undermining the consumer's ability to seek justice in the wake of corporate wrongdoing.

Editorial - ITT schools have been ripping off students and saddling them with debt for years l Philadelphia Inquirer

Amid scrutiny, for-profit colleges see enrollment slide l AP

The Financialization of Higher Education l Roosevelt Institute

Leaked Powell Emails Detail Ties to Key For-Profit College Investor l The Huffington Post blog (Halperin)

SYSTEMIC RISK

Fed Targets Big Bank Commodity Lines l Wall St Journal
The long-awaited proposal, designed to force banks to do more to protect themselves against environmental disasters that might cause huge liabilities, would require banks to hold billions of dollars of extra capital in their physical commodities businesses. The move also follows congressional investigations probing whether big banks were using their commodities units to wield outsize power over certain markets and inflate prices.

The proposed rules are likely to hit hardest at Goldman Sachs Group Inc., which has held tighter to commodities than rivals that have aggressively scaled back such operations in recent years.

Fed Seeks Higher Capital for Megabanks' Physical Commodities l American Banker

The Fed's Stress Tests Need to Be Transparent l Wall St Journal

How should Congress prevent the FSB and FSOC from triggering costly, unnecessary fund regulation that would hurt retirement savers? l Investment Company Institute
If the Financial Stability Board (FSB) revisits its efforts to designate regulated funds as "systemically important," mutual funds already regulated by the US Securities and Exchange Commission could come under increased regulation by the Federal Reserve. Under one scenario, more than half of the assets Americans have saved in 401(k)s and similar accounts could be hit with extra rules, higher costs, and the risk of paying for future financial bailouts.

OTHER TOPICS

U.S. House Bill Aims to Set Up 'Sandbox' for Fintech Innovation l Wall Street Journal
A House bill intended to keep the U.S. from losing financial innovators to the U.K.'s budding "sandbox" regulatory program was introduced Thursday. The financial technology industry, from digital currencies to peer-to-peer online lending, has raised concerns that U.S. regulation isn't keeping pace, potentially causing businesses to consider moving operations to the U.K. The sandbox program, kicked off in May, lets companies work alongside a regulator when testing a fintech product or service. That gives the firms the ability to test a new product or business model with a limited launch, without going through the full regulatory process. Hong Kong also announced a sandbox initiative earlier this month.