

AMERICANS FOR FINANCIAL REFORM

This Week in Wall Street Reform – April 18-24, 2015

Please share this weekly compilation with friends and colleagues.
To subscribe, email erin@ourfinancialsecurity.org, with "This Week" in the subject line.

CONSUMER FINANCE & PROTECTION

[Payday lending is a sin in plain sight:](#)

Rev. Willie Gable Jr., New Orleans Times Picayune, 4/16/15

Pastors know the experience well: a member of the church or the neighborhood knocks on the door and asks to borrow a few hundred dollars for an unexpected expense that crept up on them. Our church has written out checks to the auto repair shop or the pharmacy or the landlord. Congregations are happy to help when they can, and many - like ours - do so frequently. But we have competition. And it's not benevolent.

[Public pensions own payday lender that is illegal in their own states](#)

Dan Primak, Fortune, 4/20/15

Going back to colonial days, it has been illegal for payday lenders to operate in the state of New York. Same goes for neighboring New Jersey. But public pension funds in both states are indirect owners of ACE Cash Express Inc., the nation's second-largest payday lender. It's not an illegal arrangement, but it sure borders on hypocritical.

[Loan reforms should have consumer clarity at core](#)

Editorial, Albuquerque Journal, 4/20/15

The 2016 Legislature convenes Jan. 19, 2016, giving lawmakers over eight months to come up with a new approach to reforming the high-risk lending business, often called payday loans, so the result protects low-income consumers and preserves their options.

[What Unites 93% of Tar Heels? Opposition to Predatory Lending and Bill Pushing Interest Rates to Over 60%](#)

Survey conducted by the Center for Responsible Lending, April 2015

See [joint letter](#) urging Congress to support Operation Choke Point.

[House passes Wall Street reform tweak](#)

Cristina Marcos, The Hill, 4/22/15

[CFPB Takes Action Against Military Allotment Processor for Charging Service Members Hidden Fees](#)

Press Release, CFPB, 4/20/15

[Republican House bill modestly curbs bank watchdog's budget](#)

Andrew Taylor, Washington Post, 4/22/2015

See [joint letter](#) on budget-cutting provisions of HR 1195.

[Credit is a powerful tool for American families](#)

Todd Zywicki and Thomas A. Durkin, Washington Post, 4/17/15

DERIVATIVES, COMMODITIES, AND THE CFTC

[Milken Institute report on Economic Benefits of Derivatives](#)

Apanard (Penny) Prabha, Keith Savard & Heather Wickramarachi, Milken Institute, March 2014

Key findings: Banks' use of derivatives, by permitting greater extension of credit to the private sector, increased U.S. quarterly real GDP by about \$2.7 billion each quarter from Q1 2003 to Q3 2012. Derivatives use by non-financial firms increased U.S. quarterly real GDP by about \$1 billion during the same period by improving their ability to undertake capital investments. Combined, derivatives expanded U.S. real GDP by about \$3.7 billion each quarter. The total increase in economic activity was 1.1 percent (\$149.5 billion) between 2003 and 2012. By the end of 2012, employment had been boosted by 530,400 (0.6 percent) and industrial production 2.1 percent.

ENFORCEMENT

[Trader Arrested in Manipulation that Contributed to 2010 'Flash Crash'](#)

Nathaniel Popper & Jenny Anderson, NY Times, 4/21/15

Regulators said that their prosecution of the trader, Navinder Singh Sarao, demonstrated their aggressiveness in rooting out market manipulation. But news of the arrest, if anything, has raised anew concerns about how an individual could manage to exert such influence over the world's financial markets.

['Flash Crasher' must wear device, surrender passport](#)

Richard Morgan and Kevin Dugan, New York Post, 4/22/15

[Deutsche Bank to pay \\$2.5 billion for interest rate rigging \(paywalled\)](#)

Jon Prior, PoliticoPro, 4/23/15

EXECUTIVE COMPENSATION

[CEOs Awarded More Cash Pay](#)

Theo Francis & Joann S. Lublin, Wall St. Journal, 4/21/15

Cash compensation for chief executives rose at its fastest rate in at least four years in 2014, swelling to 37.3% of total CEO compensation, higher than it has been since 2010, according to a survey of early proxy filings by the Hay Group for The Wall Street Journal. The rise in cash pay contrasts with trends just after the financial crisis, when shares had cratered and companies filled out their top officers' pay packages with equity grants.

FEDERAL RESERVE

[Should the GAO Audit the Fed? A Cato-CMFA Forum](#)

George Selgin, CATO Liberty Blog, 4/22/15

Ever since Ron Paul first introduced it in 2009, the "Federal Reserve Transparency" Act, calling for the elimination of the Federal Reserve System's exemption from certain kinds of GAO audits, has been the subject of vigorous debate between proponents of greater government accountability and champions of an independent Federal Reserve.

[How the Federal Reserve Is Destroying Your Economic Future](#)

Lynn Stuart Parramore, Truthout, 4/20/15

FINANCIAL TRANSACTION TAX

[A financial transaction tax is a Pigouvian tax!](#)

Jared Bernstein, On the Economy, 4/22/15

This morning's NYT tells of prosecutors finally catching up with the alleged perp behind the "flash crash" in 2010, when the Dow fell almost 600 points in a few minutes. It bounced back soon after, but not until everyone's nerves were seriously jangled and confidence in the soundness of the equity markets took a big hit.

US prosecutors allege that the crash was the work of a guy in a London row house a few miles from Heathrow. That's right, some schlub in his bathrobe supposedly tanked the markets by "spoofing:" algorithmic trading that executes tens of thousands of buy and sell orders only to cancel them milliseconds later. Once the market reacts to the spoofer's large bets for or against the stock, she moves in and cashes in on the price change. Basically, a high-frequency variation of "pump-and-dump."

[How Elizabeth Warren would have stopped a panic on Wall Street](#)

Max Ehrenfreund, Washington Post, 4/23/15

In [a speech](#) last week, Sen. Elizabeth Warren (D-Mass.) reiterated her support for "a targeted financial transactions tax designed to have no impact on regular mom-and-pop investors."

INVESTOR RIGHTS AND THE SEC

[Rules to Make Retirement Investing Safer](#)

Editorial Board, NY Times, 4/17/15

In a giant step forward for investor protection, the Department of Labor proposed new rules this week to ensure that financial advisers act solely in their clients' best interests when giving advice and selling products for retirement accounts. The new standard of fiduciary duty would bar stockbrokers, insurance agents and other financial professionals from increasing their pay by steering clients into high-cost products and strategies when comparable lower-cost ones are available. Secretary of Labor Thomas Perez and his team deserve praise for a well-crafted proposal. Now they need to carefully vet the public comments and promptly issue a final rule that preserves the proposal's strong protections for retirement savers."

[Memo to Industry: Get Behind Fiduciary Rule](#)

Scott Cooley, MorningStar, 4/17/15

For me, the issue comes down to the harm that can and does come to individual retirement investors in the absence of the fiduciary rule. Take the case of an investor who works for an employer who offers a low-cost, well-diversified target-date fund. When this investor leaves her employer, it can set in motion a chain of events that could include a broker recommending a high-cost portfolio of funds that offer him the highest commissions. Is that really the way we want our retirement system to work?

[Proposed 'fiduciary duty' rule for retirement advisers is a good step](#)

Pamela Yip, Dallas Morning News, 4/19/15

[Will New Retirement Rules Protect Americans from Wall Street?](#)

Chris Arnold, NPR, 4/21/15

[Lobbyists ask Labor for longer 'fiduciary' comment period \(paywalled\)](#)

Patrick Temple-West, PoliticoPro, 4/22/15

See [joint statement](#) on delivery of petitions to Congress and the Obama Administration.

MORTGAGES & HOME LOANS

[Protect vulnerable consumers from predatory high-interest loans](#)

Editorial, Seattle Times, 4/14/15

One particularly wrongheaded — but bipartisan — proposal passed the U.S. House Tuesday. It is the Preserving Access to Manufactured Housing Act of 2015. HR 650 would raise the threshold for which loans are considered "high cost," from 8.5 percent above the average rate to 10 percent above the average rate. President Obama has threatened to veto it if it passes both houses.

The change may seem minor, but the higher threshold would mean the lender has to do less work and disclose less information to borrowers. The majority of loans on manufactured homes carry high interest rates, especially compared with a typical mortgage.

[Which 45 Democrats Just Voted to Weaken Dodd-Frank, Undercut Mortgage Protections?](#)

DailyKOS, 4/14/15

[Whitewater's Predatory Lending](#)

James Taranto, WSJ, 4/21/15

POLITICAL INFLUENCE OF WALL STREET

[Poliquin excels at fundraising, but what do donors want in return?](#)

Mike Tipping, Portland Press Herald, 4/18/15

In February, [Rep. Bruce] Poliquin... voted to cripple the Consumer Financial Protection Bureau, the government agency created to ensure transparency, fairness and accountability in financial services. The CFPB is where regular people can turn when they've been wronged by the big banks. The legislation Poliquin voted for would have cut the bureau's budget and would have made it more difficult for the agency to pursue financial criminals who are fleecing the public. Since its creation, the bureau has returned more than \$4.6 billion to more than 15 million consumers.

As **Americans for Financial Reform** put it in a news release, "HR 50 would tilt the playing field even further in favor of financial sector companies and lobbyists. It would be a gift to Wall Street and would invite a resurgence of the reckless practices that caused such enormous economic damage just six years ago."

[Studies show, Congress Favors the Rich](#)

Bud Meyers, Economic Populist, 4/17/15

From the latest report by **Americans for Financial Reform**, Wall Street banks and financial interests spent \$1.4 billion over the two-year course of the 2014 election cycle. That total amounts to over \$1.9 million per day — "or an average expenditure of about \$2.6 million to elect or influence each of the 535 members of the Senate and House of Representatives." Nearly 350 financial firms and trade associations spent at least \$500,000 in the lead-in to last November's congressional elections.

STUDENT LOANS & FOR-PROFIT EDUCATION

[Mom Misled by Kaplan For-Profit College](#)

David Halperin, Miami Herald, 4/24/15

When, near the end of her studies, a professor let Pierce know that the degree would not make her eligible for the job she sought, and she complained, the school pointed her to fine print in a Kaplan manual. But come on. Had Pierce actually known the low value of the degree, she would not have enrolled. And we see this [again](#) and [again](#) with for-profit colleges, [including Kaplan](#) -- companies that have fine-tuned the art of deceptive selling, especially to busy single parents, low-income 18-year-olds, returning veterans, immigrants, and others dreaming of a better life and not always positioned to detect scams.

[Politicians cash in on colleges](#)

Michael Vasquez, Miami Herald, 4/23/15

A Herald examination of campaign records since 2008 found that for-profit colleges have contributed more than \$1.2 million to state lawmakers and political parties. The Legislature, in turn, passed 15 laws benefiting the industry.

[Higher Ed Hustle](#)

Full Miami Herald Series on For-Profit Schools in Florida

[World's Biggest For-Profit College Chain Plans \\$1 Billion IPO](#)

Leslie Picker & Devan Banerjee, Bloomberg, 4/23/15

[Laureate Education Inc.](#), the largest for-profit college network in the world, is interviewing banks for a \$1 billion initial public offering in the U.S... The company, whose honorary chancellor is former President Bill Clinton, has been meeting with potential underwriters for an IPO that could value the education juggernaut at about \$5 billion... The company, based in Baltimore, owns 84 universities, mostly in emerging markets.

[Abuses at Corinthian Are Mirrored At Other Big For-Profit Colleges](#)

David Halpern, HuffPost Business, 4/22/15

Numerous federal and state law enforcement investigations, and media investigations, have exposed an industry desperate to always be closing -- signing up as many students as possible for high-priced, questionable quality career education programs, without regard to whether the programs will help a given student, or instead will leave that student unemployed and mired in college loan debt.

[California Orders Corinthian Colleges to Stop Enrollment At WyoTech, Everest Campuses](#)

Ashlee Kieler, Consumerist, 4/22/15

[Failed Promises, Pricey Loans Keep For-Profit Education in Regulatory Crosshairs](#)

Jon Berke, Forbes, 4/22/15

[CPC Co-Chairs, Rep. Waters Urge Department of Ed to Forgive Student Debt Incurred at Corinthian Colleges](#)

Congressional Progressive Caucus, 4/20/15

[Financial education fix for student loan crisis](#)

James Patterson, The Hill, 4/20/15

See [joint letter](#) of opposition to the "Supporting Academic Freedom through Regulatory Relief Act."

SYSTEMIC RISK

[Prevent another crash, reform Wall Street](#)

Former Governor Martin O'Malley, Des Moines Register, 3/19/15

[W]e must acknowledge that — while it addressed inherent flaws in the financial system — the 2010 Dodd-Frank Act did not go far enough.

The most serious structural reform we can make is reinstating the 1933 Glass-Steagall Act that kept commercial banks separate from investment banks. Under Glass-Steagall, our country did not see a major financial crisis for nearly 70 years. If that law hadn't been repealed in 1999, the crash would have been contained. The largest banks should be broken up into more manageable institutions.

[Goldman Sachs, Morgan Stanley Find Different Paths to Profits](#)

Justin Baer & Peter Rudegeair, Wall St. Journal, 4/20/15

On Monday, Morgan Stanley capped a strong earnings season across the banking industry, reporting its second-best quarter ever in terms of revenue. That performance mirrored the robust showing by Goldman, whose numbers, released last week, were characterized by high trading revenues and more risk-taking.

[Senators Introduce Bill to Lengthen Time Between Bank Exams \[paywalled\]](#)

Victoria Finkle, American Banker, 4/17/15

Sens. Joe Donnelly, D-Ind., and Pat Toomey, R-Pa., have unveiled legislation that would allow more community banks to qualify for an 18-month exam schedule rather than an annual one.

[Wall Street Watchdogs Should Prevent Crises, Not Build Buffers](#)

Pedro Nicolaci Da Costa, Wall St. Journal, 4/22/15

The effort by financial regulators to ensure big banks and other financial institutions have adequate levels of capital is misguided since that will only help lessen the impact of a crisis, not prevent one. That's the conclusion of Eric Tymoigne, an economist at Lewis & Clark College, [in a presentation](#) last week at the Levy Economics Institute's 24th Minsky Conference.

[FDIC Reignites Old Fight with Big Banks over Deposit Insurance](#)

Ian Mckendry, American Banker, 4/21/15

OTHER TOPICS

[Meaningful financial reform](#)

Paul Volcker, *Washington Post*, 4/16/15

[I]t is all too clear that the federal financial regulatory structure is simply inadequate to head off future crises...

[T]he institutional structure for financial regulation — which traces its origins to the 1930s — has resisted repeated efforts for meaningful reform. As a result, what we see in full view are inconsistencies in approaches among the half-dozen or more regulatory agencies, differing priorities, overlaps and gaps, squabbling over turf, incentive for competition in lax regulation; and too many opportunities for agency “capture” by those regulated.

[Volcker Says US Bank Oversight Ineffective, Seeks Overhaul](#)

Associated Press via *NY Times*, 4/20/15

[Volcker's Call for Regulatory Reform: Smart and Unlikely](#)

Richard Parsons, *American Banker*, 4/22/15

[Bank Execs 'Kicking and Screaming' over Regulatory Changes](#)

Maureen Farrell, *WSJ Money Beat*, 4/20/15

[CFO Ruth Porat] said that she and other executives at Morgan Stanley understood regulators' intentions and felt the changes they were making were “needed.” The firm's executives, she said, “are proud of the changes we've made” since the financial crisis. She contrasted Morgan Stanley's response to the responses of other executives who were making “those changes kicking and screaming.”

[Treasury's no-bid deals for banks get flak on Capitol Hill](#)

Daniel Wagner, *CPI*, 4/17/15

The Treasury Department's practice of offering billions of dollars in no-bid contracts to banks for government services is drawing flak on Capitol Hill... The agency's inspector general has [launched multiple audits](#) of the deals and is planning more for next year.

Senators representing three committees have complained, [in separate letters](#) sent this winter and spring, that the contracts are awarded in an opaque and arbitrary manner, blocking efforts at congressional oversight.

[Agency overseeing Obama trade deals filled with former trade lobbyists](#)

Lee Fang, *The Intercept*, 4/16/17

[White House Trade Strategy: Talk Progressive, Use Wall Street to Negotiate the Deal](#)

Mike Lux, *HuffPost Politics*, 4/21/15

See AFR Statement: [“The Trans Pacific Partnership, Fast Track, and Financial Regulation.”](#)

[Treasury secretaries want currency out of any trade deals](#)

Victoria Needham, *The Hill*, 4/21/15

[Jon Stewart: Wall Street Enjoys The Ultimate 'Grade Inflation'](#)

Brendan James, *Talking Points Memo*, 4/23/15

Jon Stewart on Wednesday suggested that a recent cheating scandal in Atlanta was nothing compared to the fraud carried out in the buildup to the 2007 housing crisis.

[Why Clinton Just Brought a Wall Street Scold on Board](#)

John Heltman and Victoria Finkle, *American Banker*, 4/22/15

Genster's pick is the first major personnel announcement for the Clinton campaign since formally announcing her bid and his first time back in the public eye since he left the CFTC in early 2014. His presence suggests Clinton could take a more progressive stance on big-bank reform, closer to the views of Democrats like Sen. Elizabeth Warren, D-Mass.

[Big money in politics emerges as a rising issue in 2016 campaign](#)

Matea Gold, Washington Post, 4/19/15

[Hillary Clinton Signals Willingness to Get Tough on Wall Street Traders](#)

Jennifer Epstein, Bloomberg Politics, 4/20/15

[11 facts showing Hillary Clinton will not 'topple' 1% or support average Americans](#)

Andrew Moran, Economic Collapse News, 4/22/15

