

AMERICANS FOR FINANCIAL REFORM

This Week in Wall Street Reform – March 7-13, 2015

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CONSUMER FINANCE & CFPB

[Binding Arbitration Rules Get Consumer Protection Bureau Scrutiny](#)

Ann Carrns, NY Times, 3/10/15

Industry groups defend the use of arbitration clauses in financial contracts, saying they offer a faster and less costly way to resolve disputes. "This is an important tool for the customers of financial institutions that helps keep costs down and keeps financial products, including credit cards and checking accounts, affordable," said Richard Foster, senior vice president of legal and regulatory affairs for the Financial Services Roundtable.

However, the bureau report found "no statistically significant" evidence that companies that have eliminated arbitration clauses increased their prices, or reduced access to credit, compared with those that made no change.

[What happens when consumers are banned from class action lawsuits](#)

Jonnelle Marte, Washington Post, 3/10/15

By restricting class actions and instead steering people into arbitration when they take issue with a company, the agreements often lead to poorer outcomes for consumers, the CFPB noted in the long-awaited report. When they are barred from class action status, few consumers end up taking action either by going through arbitration or by filing individual lawsuits, the report showed.

[Arbitration Clauses for Cards, Checking Draw Criticism](#)

Alan Zibel, Wall St. Journal, 3/10/15

[CFPB Says Mandatory Arbitration is Bad for Consumers](#)

Taylor Tepper, Time Magazine, 3/10/15

[Why Banks Are Likely to Lose in Battle Over New CFPB Arbitration Rules](#)

Rachel Witkowski, American Banker, 3/10/15

[CFPB Finds Arbitration Harms Consumers in Study Presaging Rules](#)

Carter Dougherty, Bloomberg, 3/10/15

[Forced Arbitration Clauses Harm Consumers: CFPB](#)

Melanie Waddell, ThinkAdvisor, 3/11/15

William Beatty, president of the North American Securities Administrators Association and Washington Securities Director, said the CFPB's findings should encourage the Securities and Exchange Commission to use its authority under Dodd-Frank to "investigate the impact of similar clauses used by broker-dealers and investment advisors, and prohibit or restrict their use in the public interest and for the protection of investors."

Americans for Financial Reform says that CFPB's study "confirms" what consumers and consumer advocates have long said about forced pre-dispute arbitration: "It is a private dispute system stacked against individuals seeking justice."

[It's time for the CFPB to restore consumers' rights](#)

Lisa Gilbert, The Hill, 3/11/15

Yesterday, the Consumer Financial Protection Bureau (CFPB) issued its final study on forced arbitration, and the results are straightforward: A lengthy data-based study showed with finality that lenders use arbitration clauses to make it significantly more difficult for consumers who have been cheated or the victims of illegal conduct to get any relief.

[The Corporate Giveaway Hidden in Your Credit Card Contract](#)

David Dayen, Fiscal Times, 3/1/15

Some lawmakers hope that CFPB's study is just a first step. Sen. Al Franken (D-MN), who has highlighted the arbitration issue in the past, [reacted to the study](#) by urging that CFPB establish rules to ban mandatory arbitration clauses. "A rule like that would go a long way toward keeping the big banks in line and making sure that justice is available to consumers who get swindled," Franken said in at a briefing yesterday in Washington. The Senator plans to reintroduce the [Arbitration Fairness Act](#) to eliminate arbitration clauses in consumer contracts. **Americans for Financial Reform**, a labor/progressive coalition, is also [mobilizing](#) for a new CFPB rule.

[Brown Statement on Report that Companies Use Arbitration Agreements to Deny Consumers Financial Relief In Disputes](#)

Press Release, Office of Senator Sherrod Brown, 3/10/2015

[Sen. Franken: New Report on Forced Arbitration Underscores Need for Rules that Protect American Consumers](#)

Al Franken, 3/10/15

See [CFPB report](#) and [fact sheet](#).

[Rep. Sean Duffy Reintroduces CFPB Reform Package](#)

ACA International, 3/6/15

[What CFPB Says Banks Get Wrong About Consumer Protection](#)

Rachel Witkowski, American Banker, 3/11/2015

[Pentagon Plan Rekindles Fight Over Military Lending Safeguards](#)

Chris Cumming, American Banker, 3/9/15

[Credit Bureaus' Deal to Improve Accuracy 'Huge' for Consumers](#)

Margaret Collins and Christie Smythe, Bloomberg, 3/9/15

[Lawmakers spar over report on consumer bureau](#)

Kevin Cirilli, The Hill, 3/10/15

[Faith V. Greed: The Battle Between Faith-Based Organizations And The Payday Loan Industry](#)

Ashlee Kieler, Consumerist, 3/10/15

[Payday Loan Critics Lack Empathy: Onsite Coverage](#)

Nicholas Ballasy, Credit Union Times, 3/11/15

[Otoe-Missouria Tribal Chairman Brings Civil Rights Action against Connecticut Dept. of Banking](#)

Matthew L.M. Fletcher, Turtle Talk, 3/10/15

ENFORCEMENT

[How HSBC chairman Flint can restore accountability at his bank](#)

Robert Jenkins, Financial Times, 3/10/2014

Is Europe's biggest bank too big to manage? Or have its management and board simply not been up to the job? Politicians and pundits are pressing the issue. HSBC's senior executives are ducking the question. Yes, they acknowledge, mistakes were made, controls were lax, practices were inappropriate and the organisation's structure was flawed. But it was not their fault and they are working hard to put things right.

[After Hiatus, Operation Choke Point Kicks Back Into Gear](#)

Victoria Finkle, American Banker, 3/12/15

[Justice Department Hits Community Bank in Second Choke Point Case](#)

Victoria Finkle, American Banker, 3/10/15

[Emails Reveal Lobbyist Had Undisclosed Role In Cuomo Financial Crisis Investigation](#)

Justin Elliott, ProPublica, 3/11/15

[Justice Department Announces Settlement with California Bank for Knowingly Facilitating Consumer Fraud](#)

Press Release, Department of Justice, 3/12/15

[Benjamin Lawsky unveils \\$1.45 billion bank fine](#)

Larry Rulison, Albany Times-Union, 3/12/15

[A Tale of Two Cases](#)

Bartlett Naylor, Huffington Post, 3/10/15

[Court Orders Ringleader of Scam Targeting Seniors Banned From Telemarketing](#)

Press Release, Federal Trade Commission, 3/12/15

EXECUTIVE COMPENSATION

[Banks must allow shareholder proposal on government service payouts](#)

Sarah N. Lynch, Reuters, 3/11/15

Three major Wall Street banks this week lost their bid to block a union-backed shareholder proposal calling for the banks to disclose so-called "golden parachutes" that executives can earn if they leave to work for the government. The Securities and Exchange Commission told Citigroup, Goldman Sachs and [MorganStanley](#) they cannot exclude the AFL-CIO's shareholder proposal from their corporate ballots, according to copies of the letters seen by Reuters.

"Citigroup, Goldman Sachs and Morgan Stanley fought hard to prevent shareholders from having a vote on more transparency around government service golden parachutes," Heather Slavkin-Corzo, the AFL-CIO's investment office director, said in an email. "We are pleased that the SEC did not yield to pressure from the big banks on this important issue."

[Many More Financial Firms Could Face Bonus Caps Under EU Rules](#)

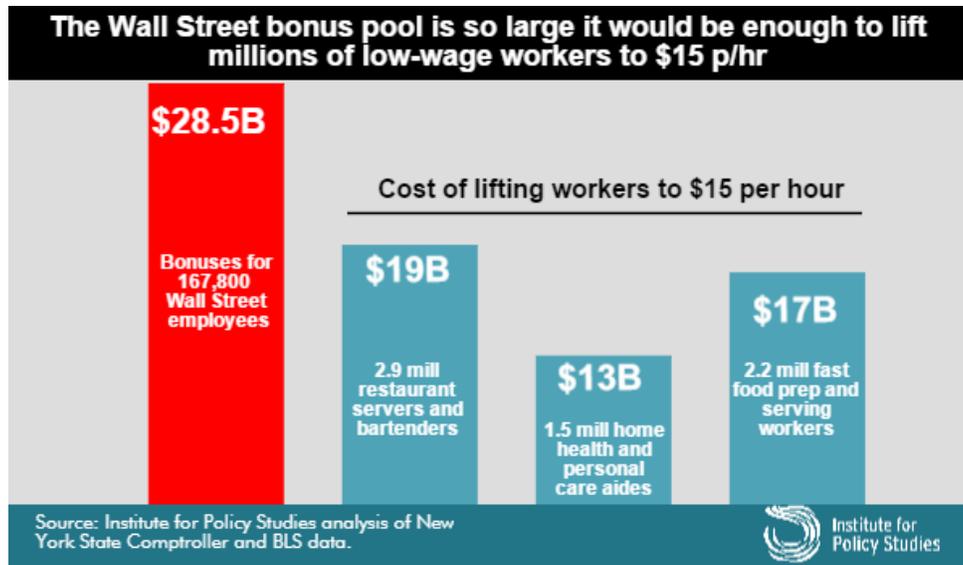
David Wighton, Wall Street Journal, 3/4/15

"In the new guidance, the EBA also reaffirmed a ban on the use of special payments by banks to get around the bonus cap. The EBA said that so-called role-based allowances, which have been widely introduced by European banks in response to the bonus-cap rules, should in most cases be classified as variable pay. That means they, like bonuses, are subject to the EU limits on variable pay."

[Wall Street Bonuses Rose Just 2% in 2014](#)

William Alden, NY Times, 3/11/15

See [statement by Bartlett Naylor](#) of Public Citizen: “Wall Street Not Skimping on Bonuses Despite Record Sanctions for Violations”



[Off the Deep End: The Wall Street Bonus Pool and Low-Wage Workers](#)

Sarah Anderson, Institute for Policy Studies, 3/11/15

[3 Charts That Show Just How Much Wall Street Bonuses Swamp Low-Wage Worker Pay](#)

Sarah Anderson, AlterNet, 3/11/15

THE FEDERAL RESERVE SYSTEM

[Fed Internal Watchdog Said to Reopen Probe Into 2012 Leak](#)

Craig Torres, Bloomberg, 3/11/15

[The Shelby-Yellen Summit](#)

Patrick Temple-West and Jennifer Liberto, Politico Pro, 3/11/15

FINANCIAL TRANSACTION TAX

[Study: Financial Tax Would Pay Off Big](#)

Sarah Anderson, Inequality.org, 3/8/15

The German Social Democratic Party commissioned the study from the prestigious German Institute for Economic Research, more commonly known by its acronym, DIW. The results are eye-popping. Germany alone can expect anywhere from 18 to nearly 45 billion euros per year from a serious regional financial transactions tax, depending on how the tax affects trading levels, according to DIW. That translates into a potential benefit of about \$US48 billion in an economy one-fifth the size of the United States.

INVESTOR RIGHTS AND THE SEC

[Consumer groups accuse SEC of ignoring investors](#)

Mark Schoeff, Investment News, 3/12/15

“We are concerned that the Securities and Exchange Commission — which has always prided itself on serving as ‘the investors’ advocate’ — appears in recent years to have strayed from its primary focus on its investor protection mission,” the letter stated. “Given the vital role that average investors play in our markets and the overall economy, and

the serious shortcomings that exist in the regulatory protections they receive, it is time in our view for these issues to be prioritized.”

The letter was signed by the Consumer Federation of America, **Americans for Financial Reform**, Fund Democracy, Consumer Action, Public Citizen and the AFL-CIO.

[Protect savings from predatory brokers: our view](#)

Editorial, USA TODAY 3/9/15

President Obama is absolutely right to push for new rules for investment brokers. Their interests need to be better aligned with those of their clients. And the conflicts of interest rife in their industry need to be exposed and limited, if not eliminated. Creating a fairer system doesn't have to be hard or involve excess regulation. Under current rules, some investment advisers have a fiduciary duty to act in the "best interest" of their clients. But brokers, who are often the most aggressive in courting business, operate under a lower standard. They need only act in ways "suitable" for the client. Putting everyone under the "best interest" standard, as Obama suggests, would go a long way toward eliminating predatory brokers and confiscatory fees. And their retirement nest eggs would not be hit so hard.”

[New Advisor Standards Could Save Retirees \\$17 Billion](#)

Simon Moore, Forbes, 3/12/15

[Why Obama’s Fiduciary Standard Proposal Doesn’t Go Far Enough](#)

Manisha Thakor, Wall St. Journal, 3/10/15

No rational person would want to visit a doctor who didn’t adhere to the Hippocratic Oath to first do no harm. Why on earth would we want to continue a system where a huge portion of financial advisers are working for firms allowed to put the company’s interest ahead of the interests of their clients?

[About that Bill Name](#)

Politico Morning Money, 3/11/15

Americans for Financial Reform is urging Congress to reject Rep. Ann Wagner’s bill to halt Labor Department’s fiduciary duty rule. In a March 10 [letter to Congress](#), AFR says: ‘On behalf of Americans for Financial Reform, we are writing to express our opposition to HR 1090, the ‘Retail Investor Protection Act.’ This misnamed legislation in fact eliminates needed protections for retail investors ... Financial professionals not covered by a fiduciary duty are legally free to recommend investments that benefit them, the seller of the product, at the expense of the customer who is saving for their future.’”

[Broker Business Seeks Wedge Against White House Bid to Pare Fees](#)

Dave Michaels and Robert Schmidt, Bloomberg Business, 3/12/15

See [Statement by Save Our Retirement Coalition](#)

[SEC Urged to Reform 12b-1 Fees, Block Risky ETFs](#)

Melanie Waddell, ThinkAdvisor, 3/12/15

In their March 10 letter to White, the Consumer Federation of America, Fund Democracy, AFL-CIO, **Americans for Financial Reform**, Consumer Action and Public Citizen say their concerns “reflect the fact that it has been some time since a comprehensive agenda of retail priorities has been clearly communicated to (or by) the Commission,” and that the Commission "can no longer afford to relegate ... retail investor protection priorities to a back burner."

[JOBS Act State of the Union: What’s Become of Regulation A+ and Crowdfunding?](#)

Samuel Guzik, Crowdfund Insider, 3/11/15

[Senators Really Think Insider Trading Should Be Illegal](#)

Matt Levine, Bloomberg, 3/11/15

[Reed and Menendez Introduce Bill to Clearly Define and Ban Unlawful Inside Trading](#)

Press Release, Office of Senator Jack Reed, 3/11/15

“The recent Newman decision overturning convictions of hedge fund traders threatens the SEC’s ability to enforce insider trading restrictions generally. This legislation creates a long overdue statutory definition of insider trading that restores SEC enforcement powers regarding insider trading and will increase the fairness of equity markets for ordinary investors.” – **Marcus Stanley, Policy Director at Americans for Financial Reform**

[Equity crowdfunding gains steam in Florida, with Orlando backers](#)

Paul Brinkmann, Orlando Sentinel, 3/11/15

STUDENT LOANS

[Obama plans to make it easier to pay your student loans](#)

Danielle Douglas-Gabriel, Washington Post, 3/10/15

The move is the latest in a series of steps the administration has taken to promote college access and affordability, including expanding a program that caps student loan payments to 10 percent of a person’s income for 20 years. It comes at a time when student debt has surpassed \$1.3 trillion and the average graduate is leaving school with nearly \$29,000 in education loans.

See [Presidential Memorandum – Student Bill of Rights](#)

[Debt Collective Wants Out of Federal Student Loans Borrowed to Attend Corinthian Colleges](#)

John Sandman, Main St., 3/9/15

[Everest College Collapse not the only Private Career College Problem in Ontario](#)

Skedline, 3/9/15

[As Rising Student Loan Debt Nears \\$1.2 Trillion, Durbin Introduces Legislation To Address Crisis](#)

Press Release, Office of Sen. Dick Durbin, 3/12/15

U.S. Senator Dick Durbin (D-IL) led a group of 12 other Senators today in introducing a bill that will help address the student debt crisis by treating privately issued student loans in bankruptcy the same as other types of private unsecured debt...

The bill is supported by organizations including the American Association of Collegiate Registrars and Admissions Officers, American Association of Community Colleges, American Association of State Colleges and Universities, American Association of University Women, American Council on Education, American Federation of Teachers, **Americans for Financial Reform**, Association of Public and Land-grant Universities, Center for Responsible Lending, Consumer Action, Demos, Jobs with Justice, National Association of Consumer Bankruptcy Attorneys, National Association for College Admission Counseling, National Association of Student Financial Aid Administrators, National Consumer Law Center (on behalf of its low income clients), National Consumers League, National Education Association, Public Citizen, Public Counsel, The Education Trust, The Institute for College Access and Success, UNCF, U.S. PIRG, United States Student Association, Veterans Education Success, Woodstock Institute, and Young Invincibles.

[Elizabeth Warren to Obama Administration: Help Me Tackle Student Debt](#)

Pema Levy, Mother Jones, 3/6/15

SYSTEMIC RISK AND BIG BANKS

[Why Big Banks Cut It Close in Fed's Stress Tests](#)

John Heltman, American Banker, 3/11/15

Two banks failed — foreign-based Santander and Deutsche Bank — while Bank of America was faulted for weaknesses in its capital planning process and JPMorgan Chase, Morgan Stanley and Goldman Sachs, meanwhile, were forced to revise their capital plans in order to pass the Comprehensive Capital Analysis and Review.

But analysts suggested that in the case of the U.S. banks that rode close to the line in passing the quantitative part of the test may have done so because of a willingness to push the limits of the stress test because they are comfortable that they can clear the central bank's qualitative aspect of the test.

[U.S. Banks Pass Stress Tests, Some with an Asterisk](#)

Peter Eavis, New York Times, 3/11/15

[Four major US banks scrape through Federal Reserve stress tests](#)

The Guardian, 3/12/15

[Fed flags BofA, 2 others; high fliers celebrate](#)

Jacob Pramuk, CNBC, 3/11/15

[Regulators vs. Your Local Banker](#)

Camden R. Fine, Wall Street Journal, 3/10/15

[The Little Bill that Could Take Down TBTF](#)

Cornelius Hurley, American Banker, 3/10/15

[Bank group opposes Luetkemeyer bill](#)

Zachary Warmbrodt, Politico Pro (paywalled), 3/9/15

OTHER TOPICS

["A lot of us are disappointed and angry": Interview with Martin O'Malley](#)

Joan Walsh, Salon, 3/13/15

Q: And now a lot of Democrats are supporting Dodd Frank lite. It's the strange politics of triangulation, where you only want to say what's safe...

A: Well, it's not just what's "safe." It's done deliberately to curry favor with Wall Street. That's one of the things that's happened to the Democratic Party in the last 30 years, it tried to catch up with Republican fundraising, and it turned to Wall Street. For a while we've had both parties competing as to who would shower Wall Street with more advantages. So how do you approach that? How do you approach it with the tax code? Would you do away with the carried interest rule and other things that helped keep Mitt Romney and investment bankers and private equity guys with a tax rate that's lower than those of us who earn a salary?

[Big win for regulators at Supreme Court](#)

Lydia Wheeler, The Hill, 3/9/15

The Supreme Court ruled 9-0 that federal agencies do not have to follow procedures for notifying the public and collecting comment when changing the interpretations of rules, effectively removing steps from the process that can take months and sometimes years to complete.

[The Regulatory Reform Debate Needs a Wider Lens](#)

Rebecca Strauss, Regblog, 3/10/15

[How Simpler Regulation Can Help Banks Meet More Credit Needs](#)

Robert Wilmers, American Banker, 3/11/15