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AFR Americans for Financial Reform Education Fund

This Week in Wall Street Reform | Nov 11- 19

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THE TRUMP ADMINISTRATION, CONGRESS & WALL STREET

Did Helping Big Banks Pay Off For Democrats? | Huffington Post

On Tuesday night, senators who voted their values did better than senators who voted with the American Bankers Association. Heitkamp, Donnelly and McCaskill were crushed, while Sens. Sherrod Brown (D-Ohio), Tammy Baldwin (D-Wis.) and Bob Casey (D-Pa.) — all representing states Trump won in 2016 — coasted to re-election after voting against the bank bill, with both Baldwin and Brown outperforming other Democrats running for governor in their states.

In the vast majority of races, the bank bill seemed to have been electorally irrelevant. Kaine, Stabenow and King didn't need the bank money to win, and neither did Brown, Baldwin and Casey. McCaskill, Donnelly and Heitkamp weren't close in their losses. That leaves Tester, Sinema and Nelson as still-undecided races where, perhaps, advertising support from the financial sector played a meaningful role.

These House Committees Could Make Or Break A Progressive Agenda | Huffington Post

"Financial Services is one of those sort of unsung places," said **Porter McConnell**, who directs the campaign. "Housing, jobs, remittances, retirement, student loans, big banks, corruption — it's a huge list, and there's a lot you can do with it."

Though she acknowledges that in the past the committee has "been used as a vehicle for a lot of terrible things," she's optimistic that "that's starting to change."

"I think there's a growing realization that you can't talk about economic justice without talking about racial justice, and you can't talk about racial justice without talking about economic justice."

Grassley To Lead Senate Finance Panel | Wall Street Journal

Sen. Chuck Grassley is expected to lead the Finance Committee next year, giving the veteran Iowa Republican more sway over tax, trade and health policy.

Mr. Grassley said on Friday he wants to relinquish the Judiciary Committee chairmanship to fill the finance panel opening left by the retirement of Sen. Orrin Hatch (R., Utah). That decision likely installs Sen. Lindsey Graham (R., S.C.) as the top Republican at the Judiciary Committee processing President Trump's judicial nominations and means the Senate Banking Committee will continue to be led by Sen. Mike Crapo (R., Idaho), a conservative who cut a deal with Democrats this on legislation paring back financial rules. A spokeswoman for Mr. Crapo declined to comment.

Maxine Waters Says Easing Bank Regulations Will Come To An End When She Takes Committee Chair | CNBC

Rep. Maxine Waters, poised to take over the powerful House Financial Services Committee when the new Congress convenes in January, laid down the law Wednesday about the future of banking regulation.

Speaking ahead of remarks by Randal Quarles, the Federal Reserve's vice chair of oversight for the banking industry, the California Democrat said efforts to loosen the reins on Wall Street financial institutions won't be tolerated should she be committee chair, as expected.

"Make no mistake, come January, in this committee the days of this committee weakening regulations and putting our economy once again at risk of another financial crisis will come to an end," Waters said.

Miki Bowman Confirmed As Fed's Small Bank-Focused Governor | Yahoo Finance

The Federal Reserve is set to get its first board member dedicated to community banking.

On Thursday afternoon the U.S. Senate voted 64 to 34 to confirm Michelle "Miki" Bowman to fill a Fed governor seat reserved for someone with experience in community banking or community bank supervision. Bowman is currently the Kansas State Bank Commissioner and prior to that worked for the Farmers & Drovers Bank, which her great-great grandfather chartered.

Bowman will be the fourth Fed member appointed by President Donald Trump to the board. Lael Brainard is the last remaining Obama-era appointee still on the board.

Going After Wall Street Is Good Politics | Daily Kos (Michael Lux)

Based on a lot of great research by political messaging gurus I respect, I am convinced that the best play for Democrats consists of talking populist economics, taking on corporate special interests, and combining it with a head-on approach to race and class that raises issues of racism upfront. This cycle I had a chance to experiment with this kind of approach and the evidence suggests it was a big winner.

In the spring of this year, a banking reform coalition I work with called Take on Wall Street commissioned some polling from Celinda Lake's firm on what messages might work best in the midterms. We found that taking on the Big Banks is a great issue for Democrats in general, but also found more specific language that candidates or outside organizations could use to persuade voters and get them motivated to vote. The topline didn't surprise us, as there has been a lot of other polling in recent years that has made this point.

Big-Bank Breakups, Postal Lending, And More: 2020 Dem Hopefuls' Financial Agendas | American Banker

Votes are still being counted in last week's midterm elections and already much of the political discussion has shifted to the 2020 presidential contest.

From progressives on the left, to those popular in states seen as pivotal in the next election, a potential Democratic field is already building at a fever pace. They include policymakers with a deep record on banking issues and those whose financial services policy agenda is a relative mystery.

Here are 11 potential presidential contenders and how they are intertwined with financial services issues.

CONSUMER FINANCE AND THE CFPB

CFPB's 'Disclosure Sandbox' Puts Consumers At Risk | American Banker (Linda Jun)
Paul Volcker, the former chairman of the Federal Reserve, once quipped that the ATM was "the only useful innovation in banking for the past 20 years." Today's regulators, especially ones taken with the new fintech industry, would do well to remember that new doesn't necessarily mean better for most people.

In the name of innovation, the Consumer Financial Protection Bureau now wants to exempt companies from the most basic rule of any functioning marketplace: transparency. The agency, created eight years ago to do what its name suggests, but now under the thumb of a Trump administration ideologue opposed to that mission, is concocting rules that would allow companies to muddy or dispense with basic consumer disclosures, hiding behind the banner of "innovation."

This Democrat Is About To Give Payday Lenders A Big Boost | Huffington Post
Although it has been generally overlooked amid the GOP's stumbling attempt to repeal Obamacare and its aggressive plan to slash taxes for Wall Street, Warner's little bill has a much better chance of making it into law than the Republican Party's marquee efforts. Companion legislation is scheduled for a vote in the House Financial Services Committee on Tuesday, where the bill has the backing of archconservative Rep. Patrick McHenry (R-N.C.) and Reps. Greg Meeks (D-N.Y.) and Gwen Moore (D-Wis.), liberal Democrats with a history of sympathy for the financial industry. Warner's Senate version is co-sponsored by tea party darling Sen. Pat Toomey (R-Pa.) and Sen. Gary Peters (D-Mich.)

Warner's bill has drawn opposition from consumer groups including **Americans for Financial Reform**, the Center for Responsible Lending and the Consumer Federation of America, along with civil rights organizations including the NAACP and the Southern Poverty Law Center.

Payday Lender's Emails Tell A Different Story on Operation Choke Point | American Banker
Companies that offer high-cost, short-term loans to consumers have accused the Federal Deposit Insurance Corp. and the Office of the Comptroller of the Currency of waging a stealth campaign — in conjunction with the Department of Justice's Operation Choke Point — to shut them out of the banking system.

During a four-year legal battle, the payday lenders have uncovered evidence that some Obama-era regulatory officials were hostile to their industry. Much of the payday industry's criticism has focused on the FDIC in particular.

But in court papers that were unsealed on Friday, the FDIC pointed to anti-money-laundering compliance concerns — rather than any personal vendettas — to explain why certain payday lenders lost some of their bank accounts.

"There is no FDIC 'campaign' against payday lenders," the agency wrote in a 56-page court filing.

OCC, FDIC Try To Shut Down Lenders' 'Choke Point' Suit | Law360
The Office of the Comptroller of the Currency and Federal Deposit Insurance Corp. have urged a D.C. federal judge to grant them quick wins in a lawsuit over their alleged roles in Operation Choke Point, arguing the payday lenders behind the suit haven't backed up their due process claims against them.

In separate summary judgment filings made public Friday, the OCC and FDIC each told U.S. District Judge Trevor N. McFadden that there's no evidence tying them to the closures of bank accounts held by plaintiffs Advance America Cash Advance Centers Inc., Check Into Cash Inc. and Northstate Check Exchange, who have accused the agencies of trying to drive them out of business by strong-arming banks into cutting ties with payday lenders as part of Operation Choke Point.

If anything, the evidence shows that the banks had their own business reasons for closing those accounts and that all the supposed badmouthing by the agencies hasn't stopped the payday lender plaintiffs from continuing to get banking services or make money, the OCC and FDIC said.

CFPB Walks Tightrope In Effort To Define 'Abusive' Practices | American Banker
The agency is expected to seek a narrower definition of what constitutes "abusive" than others believe Dodd-Frank allows. Mulvaney has said former CFPB Director Richard Cordray's decision to use the new standard without a prior rulemaking gave the agency too broad a mandate.

"This is Mulvaney putting his money where his mouth is in not regulating by enforcement," said Amy Hanna Keeney, an attorney at Adams and Reese in Atlanta. "A proposed rulemaking would expand guidance around abusive by reining in the scope of abusive."

Fintech Startup Tries To Help Consumers Fix Credit Report Errors | American Banker
Upturn pulls credit reports on its users' behalf at least three times a month and analyzes the data for signs of something amiss. It draws on external sources like the CFPB's complaint database. If a collection agency that is constantly being complained about shows up on a report, it's worth a closer look, for example.

DERIVATIVES, COMMODITIES & THE CFTC

[CFTC Hit Enforcement Records In Fiscal 2018, Enforcement Director Says](#) | Pensions and Investment
Speaking at NYU Law School on Wednesday, Mr. McDonald said the enforcement division's first annual report, released Thursday, "shows that, by any measure, enforcement during the past fiscal year has been among the most vigorous in the history of the CFTC."

That includes the third highest number of filed cases, the fourth highest amount of penalties imposed, the highest number of large-scale matters, the greatest number of cases involving manipulative conduct, the highest number of parallel criminal actions, the biggest percentage of cases charging individuals and the most number and amount of whistleblower awards, he said, according to a transcript of the speech on the CFTC's website.

EXECUTIVE COMPENSATION

Bernie Sanders Unveils Stop Walmart Act | CNN
Sanders on Thursday introduced a bill, titled the Stop Walmart Act, that would prevent large companies from buying back stock unless they pay all employees at least $15 an hour, allow workers to earn up to seven days of paid sick leave and limit CEO compensation to no more than 150 times the median pay of all staffers.

Calling Walmart the poster child for corporate greed, Sanders noted that the company made $13 billion in profits last year and paid CEO Doug McMillon more than $22 million, or 1,188 times its typical worker, who earned $19,177.

INVESTOR PROTECTION, THE SEC, AND RETIREMENT SAVINGS

AFR Submitted Letter To The SEC Opposing Efforts To Weaken Shareholder Rights

US Annuities Sales Boom As Fiduciary Rule Kicks The Bucket | CNBC
U.S. annuities sales are booming months after the demise of a regulation that targeted the product, which had required that brokers put customers' interests ahead of their own compensation.

Several U.S. insurers reported surging annuities sales when outlining third-quarter results in recent weeks. American International Group's individual retirement business posted $3.6 billion in annuities sales, a 65 percent jump from the year-ago period. Lincoln National and Brighthouse Financial detailed gains of 61 percent and 43 percent, respectively.

The companies can thank the end of a Department of Labor regulation known as the fiduciary rule. Announced during the Obama administration, the rule required brokers to act in clients' "best interest" when offering retirement advice, and inform them about commissions and other incentives they received for selling products like annuities.

U.S. Senators Introduce Bill To Rein In Proxy Advisors | Reuters

Six U.S. senators on Wednesday introduced a bill that would require the U.S. securities watchdog to directly regulate firms such as Glass, Lewis & Co and Institutional Shareholder Services, which advise investors on how to vote in corporate elections.

The bipartisan bill comes as corporate lobbyists, including the U.S. Chamber of Commerce and the National Association of Manufacturers, are campaigning to rein-in "proxy advisers," which they say have too much sway over corporate democracy.

The role of proxy advisers is part of a broader debate over how to improve governance at U.S. companies, which since the financial crisis have faced growing pressure from investors to consider issues like climate change and employee diversity.

Wells Fargo: You Can't Sue Because You Should Have Known We Misled You | Vice
In an argument filed November 2, Wells Fargo took the stance that all those public apologies from executives about its spate of scandals and rip-offs, all those promises to do right by customers and become a trusted bank again—they were all mere exaggerations no reasonable person could ever possibly have believed.

There's actually an entire legal doctrine protecting corporations from liability for false promotional statements—it's known as "puffery." In a case in England in 1892, the Carbolic Smoke Ball Company, manufacturer of a flu remedy, argued that a financial guarantee dangled in case the medication failed to work was "mere puff" nobody could realistically hold them to.

Nearly a century later, the Federal Trade Commission (FTC) wrote a policy statement on deception, saying they would not hold a company liable for obvious hyperbole. "America's Best Eyeglasses" could call themselves by that name because nobody expects customers to believe the company's product is somehow assured to be the best in America. But the concept of puffery normally concerns advertising, not statements that a company makes to its investors.

A Financial Crisis That Only Targets Advisors | Financial Advisor Magazine
After a major financial crisis, the bursting of several bubbles, and extraordinary market volatility that emerged in October, non-financial people now have enough experience to measure what they are told by so-called financial experts against their own realities. This creates simmering tension in many advisory relationships, and sharp risks in others.

As clients become more experienced, they become less trusting, and advisors are stuck in the credibility gap that Wall Street faces on Main Street. The gap, which threatens the stability and growth of investors with financial institutions and representatives, can be narrowed by educating people about issues that historically have been the domain of institutional investors. This involves topics such as volatility, diversification effectiveness, single-stock risk, and even how to handle market corrections. Many investors want to better understand the market's forces and obstacles so that they can make better decisions, and this creates opportunities for evolved advisors.

MORTGAGES AND HOUSING

‘I Lost My Home Because of a Computer Glitch:’ Wells’ Victims Seek Answers | American Banker
the bank’s offers to harmed customers fall short, according to 20 pro-consumer organizations that are writing to the Federal Reserve on Tuesday. In their letter, the organizations argue that Wells should be required to make affected homeowners whole as a condition of lifting the nine-month-old cap on asset growth at the bank.

Organizations that signed the letter include **Americans for Financial Reform**, Public Citizen, the National Fair Housing Alliance and the Consumer Federation of America.

“Until proper compensation is provided and Wells Fargo demonstrates that it has reformed its systems and practices to prevent problems like this in the future, Wells Fargo’s apologies are hollow and insufficient,” said **Linda Jun, senior policy counsel at Americans for Financial Reform.**

Joint Letter to Federal Regulators on Wells Fargo Wrongful Foreclosures

Northern Virginia Property Owners Are Delighted That Amazon HQ2 is Moving In. Renters, First-Time Buyers, And Low Income Residents Aren’t. | Washington Post
A Crystal City condo that had sat on the market suddenly shot up in price by $20,000. Realtors are fielding cold calls from out-of-state investors eager to snap up properties. “But only if Amazon comes to the area,” one Midwestern woman said.

Anticipation that the online retail giant will open its new headquarters in this Northern Virginia neighborhood of hotels, high-rise condos and office buildings set off a flurry of real estate speculation ahead of the official announcement from Amazon Tuesday morning.

But the coming influx of tens of thousands of highly paid tech workers could exacerbate inequality in the Washington region, making it more difficult for renters and first-time home buyers, housing advocates and others warn.

PRIVATE FUNDS

Insured To Profit: Conflicts Of Interest In The Career of José Carrión III | Hedge Clippers
It has been two years since the approval of the PROMESA Act and the establishment of the Financial Oversight and Management Board (the Oversight Board) in Puerto Rico. The austerity measures implemented have been catastrophic for millions of people in the Caribbean archipelago. Dramatic cuts have been approved for many essential services, including healthcare and education. Hurricane María only exacerbated what was already a deep social crisis.

As chair of the Oversight Board, José Carrión III – an insurance executive from the Carrión family banking dynasty – has played a central role in designing and approving policy decisions that prioritize Wall Street profits over the well-being of Puerto Ricans. Carrión is well connected with the Republican Party. He has been an active donor since 2002, and he served as the state network coordinator and chairman of the American territories leadership team for the 2012 presidential campaign of Rick Perry, the former governor of Texas and current Secretary of Energy (it's worth noting that Perry now oversees the Puerto Rico Electric Power Authority, or PREPA).[1] Recently, he's been a significant donor to House Speaker Paul Ryan, who appointed him to the Oversight Board, and to Rob Bishop, chair of the House Committee on Natural Resources, which is authorized to oversee the Oversight Board.

Berkshire Now Has A $4 Billion Stake In Largest U.S. Bank | Wall Street Journal
Warren Buffett's Berkshire Hathaway Inc. is boosting its bet on the U.S. banking industry.

The Omaha, Neb., conglomerate took a $4 billion stake in JPMorgan Chase & Co. in the third quarter, giving it sizable stakes in three of the four largest American banks. JPMorgan is the largest U.S. bank by assets.

Berkshire holds roughly 9% stakes in Bank of America Corp. and Wells Fargo & Co., the second and fourth largest by assets, and is the top shareholder of both banks. The new investment in JPMorgan gives Berkshire about a 1% stake and doesn't place the company among JPMorgan's top five shareholders, according to Factset.

STUDENT LOANS AND FOR-PROFIT SCHOOLS

Betsy DeVos Sued For Failing To Implement Automatic Student Loan Forgiveness | NPR
A ruling by a federal judge last month seemed like it would end a long legal battle between Education Secretary Betsy DeVos and tens of thousands of student loan borrowers waiting to have their debts canceled. But as of Tuesday, there is a new round of litigation.

A group called the Housing and Economic Rights Advocates is suing DeVos, claiming the Department of Education has failed to comply with Borrower Defense regulations, as it was ordered to do, and that it continues to collect on loans that should be discharged.

The Obama-era rule was designed to cancel loans of borrowers who were defrauded by for-profit colleges abruptly shut down before students could earn their degrees.

More Seniors Carrying Student Loan Debt Into Retirement Than Ever Before | News Channel 5
The cost of education can last a lifetime, as many people into their 50s and 60s are finding out.

According to Federal Reserve, 2.8 million people in the U.S. over the age of 60 are sitting on some amount of student debt, a number that quadrupled from 700,000 in 2005 and continues to grow.

“This is really a sledgehammer against the older generation in more ways than one,” says Alan Collinge, creator of online advocacy group for borrowers Student Loan Justice.

Accreditation Decision Nears On Art Institute Of Pittsburgh; Online Courses In Jeopardy | Pittsburgh Post-Gazette

The shuttering of 30 campuses, including 18 Art Institutes, at the end of this year will represent a curtain closing on Education Management Corp., the Pittsburgh-based for-profit education company that declared bankruptcy in July and will liquidate.

Another 30 or so former EDMC-operated schools remain open and accepting students, but the Pittsburgh company’s financial woes have apparently continued to plague the new nonprofit owners.

Dream Center Education Holdings, a Los Angeles-based nonprofit:, pushed through another round of layoffs this fall at many Art Institutes, forcing out full-time faculty and eliminated administrative positions.

What Student Loan Debt Affects The Rest Of Your Life (It’s Not Pretty) | MarketWatch

Student-loan debts are crippling the finances of Americans and seriously stressing them out, according to a new survey.

It’s no secret there are widespread hazards with hefty student loans, but a new report from Student Debt Crisis, a nonprofit organization, and Summer, a start-up geared at helping student-loan borrowers figure out repayment, paints a stark picture on just how crushing the obligations can be as Americans try repaying $1.5 trillion in student debt.

SYSTEMIC RISK

Letter to Congress: AFR Opposes the Financial Institution Bankruptcy Act – Changes Would Benefit “Too Big to Fail” Banks

Federal Reserve Moves To Ease Stress Tests For JP Morgan, Citigroup, Goldman | The Street

A decade after the entire financial system nearly collapsed in 2008, Fed officials are moving to relax the annual procedure, in which banks are graded on their ability to withstand a severe financial crisis. Those banks that failed the test have had to limit shareholder payouts in the form of dividends and stock buybacks -- and instead retain the capital as a bulwark against loan defaults or trading losses.

The new push to relax the tests is being led by Randal Quarles, a former financial-industry lawyer and private-equity executive who was appointed last year by President Donald Trump as the Fed's vice chairman for supervision, putting him in charge of overseeing the biggest banks. Trump and officials in his administration have pledged to loosen regulations in the banking industry and other sectors, arguing that the steps will promote faster economic growth.

Is There A Financial Time Bomb In Sight? | Washington Post (Sebastian Mallaby)

Ten years after the great financial crisis, there's a sense that Wall Street's demons have been vanquished and the Trump administration is trying to push the pendulum in a deregulatory direction. But an obscure fight buried in the bowels of the derivatives market shows why this complacency is dangerous. Some Wall Street experts see it as a possible harbinger of the next financial crash.

The fight involves credit-default swaps, which provide a way for traders to insure themselves against the danger that a major institution won't repay its debts. In principle, these swaps are a healthy feature of the financial system. If Bank A fears Bank B might not repay it, then Bank A can buy credit-default insurance rather than dumping Bank B's bonds and pulling loans. This avoids choking off Bank B's access to credit, which in turn would force Bank B to cut lending to businesses and consumers, spreading the damage.

Elizabeth Warren: Regulators Are Ignoring A Major Economic Threat | Washington Post

The pileup of lending to companies that are carrying high debt loads poses a gathering threat to the economy, the Massachusetts Democrat and likely 2020 presidential contender argued in a Thursday hearing and in letters to regulators. The problem, as she sees it, is that underwriting standards for the loans have grown too loose in a market that tops $1 trillion, much as they did for subprime mortgages before the meltdown a decade ago.

"I'm not sure that I see much distinction between what you're doing now and the Fed was doing pre-2008, and I think that's deeply worrisome," Warren told Randal Quarles, the Federal Reserve's vice chairman for supervision, at a Senate Banking Committee hearing. "I'm very concerned that the Fed dropped the ball before and may be dropping it one more time on this."

Quarles said the volume of the loans isn't as relevant as "the structures that these loans are being held in," and the central bank is "looking very closely" at the matter. But he resisted Warren's suggestion that the Fed should come down harder on those making the loans, as they did as recently as five years ago. "It's not a rule," he said. "To enforce guidance is inappropriate." Instead, he said, the Fed is holding banks "to standards of safety and soundness."

Fed's Quarles Defends Removing Tough Target From Stress Testing | Bloomberg

The Federal Reserve is overhauling how it manages bank stress tests -- the most difficult regulatory hurdle established after the 2008 financial crisis -- and the agency's supervision chief argues that a key limit on a lender's leverage shouldn't be part of the exams.

Randal Quarles, the Fed's vice chairman for supervision, defended the regulator's plans to remove that element, which has been particularly difficult for firms such as Goldman Sachs Group Inc. and Morgan Stanley, telling lawmakers on Wednesday that he doesn't see the move as weakening regulation.

Nonbanks' Rapid Growth Poses Risk To Industry: FDIC's McWilliams | American Banker

Part of the explosive growth in the nonbank space can be attributed to rapidly evolving technology and fintech firms offering easier ways to get loans online or through mobile devices, she said.

But McWilliams stopped short of suggesting that new technology at banks and fintech firms creates greater risk in the financial system.

"As we look at the migration of activity away from banks, regulators and policymakers should consider the risks and benefits," said McWilliams, who is also on the Financial Stability Oversight Council. "Part of that process is asking questions: What happens to the systemic risk in the financial system when banking activities migrate to nonbanks? Are prudential banking and market regulators adequately positioned to deal with such shifts? How much exposure do banks have to nonbanks engaged in traditional banking activities?"

Bank-Friendly Regulator Makes Sales Pitch: Pick OCC Over States | Bloomberg
A top bank regulator appointed by President Donald Trump is urging foreign lenders to pick his agency's oversight instead of being supervised by New York and other U.S. states that have triggered compliance headaches for overseas firms.

Joseph Otting, who Trump named to take over the Office of the Comptroller of the Currency a year ago, used a speech in Tokyo Wednesday to make an unusual sales pitch to banks on the benefits of consolidating their U.S. business under his agency. Otting, a former banker himself, touted the OCC's expertise and said lenders could get "supervisory efficiencies" from ditching the state-by-state oversight their U.S. branches might operate under now.

"Banks should be aware that the OCC is well-positioned and qualified to provide effective and efficient supervision of federal branches of foreign banks operating in the United States," Otting said. The OCC's "licensing, legal and supervision experts" stand ready to help bankers make a switch, he added.

Danger Lurks In Latest Deregulatory Push | American Banker (Gregg Gelzinis)
Two weeks ago, the banking regulators, led by the Federal Reserve, issued a proposed rule that would substantially weaken certain safeguards put in place following the 2007-8 financial crisis for many of the largest banks in the country. The class of U.S. banks impacted by the various regulatory rollbacks included in the rule — those with between $100 billion and $700 billion in assets — collectively hold almost $3 trillion in assets and received nearly $60 billion in Troubled Asset Relief Program bailout funds during the last crisis. Some elements of the proposal implement provisions of S 2155, the financial deregulation bill signed into law by President Trump earlier this year, while others go even further. These changes to stress testing, capital requirements and liquidity rules would reduce the banking sector's ability to withstand bouts of stress in the financial system, elevate the possibility of debilitating bank runs and increase the chances of another financial meltdown. This rule joins a steady stream of proposed rollbacks that, when considered together, would meaningfully erode the post-crisis regulatory framework.

An Often Overlooked Fed Report Shows That The Risky Leveraged Loan Market Isn't Going Away Any Time Soon | Business Insider

According to the Federal Reserve's Senior Loan Officer Opinion Survey, which takes responses from 70 domestic US banks, lending standards and terms for commercial and industrial (C&I) loans eased in the third quarter of this year.

The figures apply to both large and mid-market companies suggesting that so-called "covenant lite" lending is permeating much of the US credit market.

Covenant-lite loans often lack lender protections that are built into traditional loan contracts, potentially allowing companies to take on more debt or loosen restrictions on dividend payments.

Presentation: The Future of Financial Regulation | Brookings Institute

TAXATION

Amazon's New York Home Qualifies As 'Distressed' Under Federal Tax Law | New York Times

There are wine bars and a cycling studio along the riverfront in Long Island City, among gleaming high-rise apartment buildings with views of Midtown Manhattan. The soon-to-open library branch is a modern art cube of concrete, the median income is $138,000 a year, and America's hottest online retailer is about to move in.

In the eyes of the federal government, the census tract that will house Amazon's new headquarters in New York is an "opportunity zone," eligible for tax credits meant to spur investment in low-income communities.

The retail giant said Tuesday that it had selected this upscale slice of Long Island City to house one of two new secondary headquarters. The decision was based on a host of factors, including state tax incentives and, in Amazon's words, the ability to attract top talent. But the choice could give eager developers — who almost certainly would have flocked to the area anyway — a tax benefit conveyed by a provision in the $1.5 trillion tax overhaul that President Trump signed last year.

Democrats Would Slow Down Floor Vote, Require Committee Action Under Proposed House Rules | Washington Post

The proposed rule changes require more time for the review of legislation before a floor vote, changing the standard from three days — which often means a little more than 24 hours — to a full 72 hours. They would require every bill sent to the floor by the Rules Committee to get a committee hearing and markup before getting a floor vote. They would create a supermajority requirement to raise individual income taxes on the lowest-earning four-fifths of taxpayers. And they would require each legislative committee to hold "Member Days" to solicit legislative ideas from lawmakers who don't serve on those committees.

Why Was Trump's Tax Cut A Fizzle? | New York Times (Paul Krugman)

Now, proponents of the tax cut, including Trump's own economists, made a big deal about how we now have a global capital market, in which money flows to wherever it gets the highest after-tax return. And they pointed to countries with low corporate taxes, like Ireland, which appear to attract lots of foreign investment.

The key word here is, however, “appear.” Corporations do have a strong incentive to cook their books — I’m sorry, manage their internal pricing — in such a way that reported profits pop up in low-tax jurisdictions, and this in turn leads on paper to large overseas investments.

But there’s much less to these investments than meets the eye. For example, the vast sums corporations have supposedly invested in Ireland have yielded remarkably few jobs and remarkably little income for the Irish themselves — because most of that huge investment in Ireland is nothing more than an accounting fiction.

Now you know why the money U.S. companies reported moving home after taxes were cut hasn’t shown up in jobs, wages and investment: Nothing really moved. Overseas subsidiaries transferred some assets back to their parent companies, but this was just an accounting maneuver, with almost no impact on anything real.

OTHER TOPICS

Wells Fargo Plans 1,000 US Job Cuts | Reuters
The layoffs are consistent with the bank’s previously announced plans to reduce headcount by up to 10 percent by 2020, spokesman Tom Goyda said. Wells Fargo, the No. 4 U.S. bank by assets, had about 262,000 employees as of Sept. 30.

Most of those affected received 60-day notices, but some received pre-notices, meaning they will get a 60-day notice sometime next year.

About 900 of the layoffs are in the bank’s home lending unit, reflecting declines in application volume and the number of customers in default. The cuts will be spread across the United States but are concentrated in Des Moines, Iowa, which is expected to have about 400 reductions, and Fort Mill, South Carolina, which is expected to have 111 cuts.

FinTechs to Law Enforcement: Let’s Be Partners, Not Adversaries | American Banker
As the fintech industry continues to grow in the United States, so do the opportunities for criminals to exploit systems meant to foster innovation.

With that in mind, a trade group in the United Kingdom called the FinTech FinCrime Exchange has expanded here to promote collaboration between financial entrepreneurs and law enforcement officials. Their goal is to develop best practices in risk management that would minimize the use of financial technology to support illegal activities.

“When we heard what was going on in the U.K. and the Netherlands, we thought there was tremendous opportunity to really build on that in the U.S.” said Julie Myers Wood, the CEO of Guidepost Solutions and a co-founder of Fintrail Solutions.

Fintrail, a financial crime consultancy company, helped to create the trade group in 2017. The organization boasts 80-plus members in the U.K. and the Netherlands. The digital-only banks Monzo and Revolut and the payments software developer Stripe are some of the more recognizable companies participating in the group.

A Central Bank Digital Currency Could Be Around The Corner, If You Believe The IMF | MarketWatch

Focusing on domestic use of the nascent technology, Lagarde said virtual currencies could improve businesses conditions in remote regions where cash may no longer be an option, adding that the private sector shows little interest in helping marginalized communities: “We know that banks are not exactly rushing to serve poor and rural populations.”

The former lawyer, who has been at the helm of the IMF since 2011, continued by saying that a state-backed coin could level the playing field with traditional payment companies that lean toward monopolies due to economies of scale.

North Carolina Has A New Bank For The First Time In Over A Decade. Why It’s Taken So Long. | Charlotte Observer

Ray Grace, the state banking commissioner, said several factors are driving interest in forming new banks in North Carolina and some other parts of the country. Those include an improving economy, a loosening of federal regulations on banks and new heads of banking regulators, such as the Federal Reserve, under the administration of President Donald Trump.

Wednesday’s approval follows years of shrinkage in the number of banks chartered in the state, in part due to industry consolidation, Grace said. In 2006, before the financial crisis, the figure was 95, he said. That’s now, 38, he said.

Video: Greenspan Says Nobody Forecast The 2008 Financial Crisis | Bloomberg