# This Week in Wall Street Reform | Dec 29-Jan 4

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## THE TRUMP ADMINISTRATION, CONGRESS & WALL STREET

**Trump's Regulators Set To Forge New Rules For Banks, Fintechs | Politico Pro**
With federal bank regulators appointed by President Donald Trump now settled into their roles, the landscape of financial rules is set to be reshaped in 2019.

Agencies will look to streamline bank regulations imposed after the 2008 financial crisis, such as by loosening the proprietary trading ban known as the Volcker rule. They will also explore creative ways to stop money laundering and other financial crimes.

Certain one-off issues will get attention, like bank complaints about the new Current Expected Credit Loss accounting standard, which will require lenders to immediately record expected losses when they make loans.

**Maxine Waters' Latest Task In The House: Protecting You And Your Money | Vox**
Rep. Maxine Waters (D-CA) has a long list of items on her agenda as the head of a House committee charged with overseeing the banking industry and economy.

Whether it's bringing in Wells Fargo representatives for questioning, finding out what Mick Mulvaney did at the Consumer Financial Protection Bureau, or creating a subcommittee on discrimination to make sure the playing field is level, she'll have a lot of power from her new vantage point as chair of the House Financial Services Committee.

"We will be doing all of the work that needs to be done," Waters told me in a recent interview.

**Watch: New Finance Chair Maxine Waters On Investigating Trump | MSNBC**

**Stock Market Suffers Worst Year Since 2008 Financial Crisis | PBS NewsHour**
Wall Street closed out a dismal, turbulent year for stocks on a bright note Monday, but still finished 2018 with the worst showing in a decade.

After setting a series of records through the late summer and early fall, major U.S. indexes fell sharply after early October, leaving them all in the red for the year.

The S&P 500 index, the market's main benchmark, finished the year with a loss of 6.2 percent. The last time the index fell for the year was in 2008 during the financial crisis. The S&P 500 also posted tiny losses in 2011 and 2015, but eked out small gains in both years once dividends were included.

**The Bad Stuff That The Stock Market Worried About Is Starting To Happen | Bloomberg**
First it was Apple Inc.'s $5 billion revenue miss, hints of which lopped 30 percent from its stock over three months. Now it's a closely watched gauge of U.S. factory activity, which dropped to a two-year low and missed every estimate in a Bloomberg survey.

What's going on? Over and over in the fourth quarter, as the S&P 500 plunged 19.8 percent to the brink of a bear market, investors heard the same refrain: don't panic, the economy, and corporate earnings, look strong.

In the last 24 hours, confidence in those assurances has taken a hit. The Dow Jones Industrial Average fell more than 600 points, or 2.6 percent, Thursday morning, while losses in the Nasdaq 100 spiraled toward 3 percent.

**Why We Should Worry About The US Treasury Yield Curve Inverting | Forbes (Frances Coppola)**
An inverted U.S. Treasury yield curve is widely thought to signal an impending economic downturn. Every recession since World War II has been preceded by an inverted yield curve. Of course, an inverted yield curve is only an expression of investors' views of the economic outlook, and as we all know, investors can be wrong. And since the financial crisis, markets have been so distorted by central bank policy that an inverted yield curve perhaps doesn't signal quite what it used to. So maybe we shouldn't worry about the yield curve inverting.

Or - should we? A new blogpost by the St. Louis Federal Reserve suggests that people might be right to be worried about yield curve inversion. And the reason is the behavior of banks.

The U.S. Treasury yield curve is said to be "inverted" when the yield on short-term bonds is higher than that on long-term. Normally, investors expect higher returns on longer-dated bonds to compensate them for the bond's higher risk. But if investors think the short-term economic outlook is poor, they may sell off shorter-term bonds while holding on to longer-term ones, raising the yield on shorter-term bonds relative to that on longer-term bonds. This is why an inverted yield curve is often seen as an indicator of a forthcoming recession.

## CONSUMER FINANCE AND THE CFPB

**The Consumer Financial Protection Bureau's Six Dubious Accomplishments Of 2018 | Talking Points Memo**
From payday lenders Golden Valley Lending and World Acceptance Corporation, whose cases were both dropped shortly after Mulvaney took over, to State Farm, who paid no fine at all despite violating the Fair Credit Reporting Act, Mulvaney's CFPB let bad actors off the hook.

"I won't talk too much about regulation by enforcement, but the short version is we're not doing it anymore," Mulvaney told the American Bankers Association in April. In the same speech, he said that, as a congressman, he hadn't prioritized speaking to lobbyists unless they'd donated to his campaign.

It shows. "The failure of Mulvaney's CFPB to properly carry out the law, whether by failing to supervise companies or dropping cases that were underway is a green light for direct and immediate harm to ordinary Americans," **Carter Dougherty, communications director for Americans for Financial Reform**, told TPM by email.

**Equifax Is Back In Washington's Crosshairs | Wall Street Journal**
The credit-reporting industry has largely escaped new oversight from Washington following the 2017 hack of Equifax Inc. EFX -1.05% that exposed the personal information of millions of Americans. That could change in 2019 when Democrats take over the House of Representatives.

House Democrats have put legislation responding to the Equifax hack at the top of their agenda for this year. A handful of existing proposals, some bipartisan, offer a road map for possible changes to how the industry handles consumer information, including subjecting credit-reporting companies to tougher cybersecurity standards and making it easier for consumers to fix errors on their credit reports.

"The Equifax data breach response is far from over," said Jaret Seiberg, an analyst for Cowen Washington Research Group. "There will be more legislation in the next two years that impacts Equifax and the other credit bureaus."

**New CFPB Chief's Memo To Staff: Enforce Law, But Don't Presume Guilt | American Banker**
Kathy Kraninger, the director of the Consumer Financial Protection Bureau, said in an email to staff that the bureau will "vigorously enforce the law," but also must weigh the "costs and benefits to consumers" of enforcement activities and rulemakings.

The email, which was sent Wednesday to the CFPB's staff and obtained by American Banker, is one of the first indications of how Kraninger plans to approach policy and leadership.

“We must do our work with an open mind and without presumptions of guilt, and to always carefully weigh the costs and benefits to consumers of our enforcement activities and regulatory rulemakings,” Kraninger wrote in the brief email. “On my watch as Director, the CFPB will vigorously enforce the law. I also want the Bureau to respect the rights of all we serve and interact with, to safeguard their personal information, and to be transparent in its operations.”

**Mulvaney Lobs One Last Softball To Industry Opponents Of CFPB | US PIRG Blog (Ed Mierzwinski)**

As the year 2018 came to an end, U.S. PIRG, **Americans for Financial Reform and AFR members** filed the last in in a seemingly interminable series of Consumer Financial Protection Bureau Requests for Information (all our previous comments in the series). Although there was no clear intent or goal to this murkily-drafted "Data Collections" RFI, we, and allied academic scholars who filed a separate comment (all previous academic scholar comments in the series) both inferred it as yet another opportunity for industry opponents of the CFPB to attack the Bureau's consumer protection mission -- this time by challenging its collection, use and reuse of data to evaluate and respond to financial marketplace problems that harm consumers. Yet, the RFI was accompanied by a 199-page report which documented the opposite -- that the CFPB's Data Governance framework works well to ensure the CFPB's proper use and protection of data, to include protecting the data security (privacy) of consumers and companies.

Throughout the November 2017-December 2018 reign of OMB chief Mick Mulvaney as acting director of the CFPB, the Bureau had -- on a sometimes bi-weekly basis -- issued requests for information on key elements of the CFPB's internal workings, from how it writes regulations to how it handles consumer complaints to how it enforces the law.

**USAA Bank Must Pay $15.5 Million Over Banking Rule Violations | San Antonio Express-News**

USAA Federal Savings Bank agreed to pay a $3.5 million civil penalty and $12 million in restitution to settle charges that it violated banking rules.

The San Antonio-based financial institution, with about $82.2 billion in assets, on Wednesday entered into a consent order with the federal Consumer Financial Protection Bureau.

The CFPB determined that on numerous occasions prior to 2015, USAA failed to enter stop-payment orders despite such requests from account holders.

## DERIVATIVES, COMMODITIES & THE CFTC

## INVESTOR PROTECTION, THE SEC, AND RETIREMENT SAVINGS

**Brokers Fight To Keep Their Pay Perks | Wall Street Journal**

Brokers won their fight against the controversial fiduciary rule. Now, a battle is brewing over a new proposal by securities regulators that would require them to cut back on sales incentives tied to customer advice.

The battle with the Securities and Exchange Commission will play out in 2019. Major brokerages including Morgan Stanley, Bank of America's Merrill Lynch and Fidelity Investments are pressing the SEC to let them maintain current broker pay practices, arguing the plan could limit the products and services they provide.

SEC Chairman Jay Clayton, meanwhile, is staking his legacy on changes that would require more broker disclosures and limit sales incentives.

## EXECUTIVE COMPENSATION

**Top UK Firms To Reveal Executive-Worker Pay Gap Under New Rules | The Guardian**
Britain's biggest listed companies will be forced to justify the pay gap between chief executives and their workforce as part of rules that come into force on New Year's Day.

The pay-ratio regulations are part of government efforts to improve transparency around executive remuneration. They follow a string of investor revolts in 2018 over high pay for senior executives at companies including Royal Mail, Persimmon and Unilever.

Businesses will have to divulge and justify the difference between executive salaries and average annual pay for employees. They will also need to explain how directors take staff and other stakeholder interests into account when they decide on salaries and bonuses.

## MORTGAGES AND HOUSING

**Rollback of Anti-Discrimination Rules Considered | Washington Post**
The Trump administration is considering a far-reaching rollback of civil rights law that would dilute federal rules against discrimination in education, housing and other aspects of American life.

A recent internal Justice Department memo directed senior civil rights officials to examine how decades-old "disparate impact" regulations might be changed or removed in their areas of expertise, and what the impact might be, according to people familiar with the matter. Similar action is being considered at the Education Department and is underway at the Department of Housing and Urban Development.

**Reverse Mortgage Servicer Celink Settles Lawsuit For $4.25 Million | Housing Wire**
Celink settled a federal lawsuit regarding allegations that it violated the False Claims Act in relation to its servicing of reverse mortgage loans. The Michigan-based servicer agreed to shell out $4.25 million to resolve the matter.

The suit alleged that Celink secured interest on insurance payments from the Federal Housing Administration for loans that were ineligible for such payments.

According to the Department of Justice, the loans did not meet the requirements for interest payments because they did not meet deadlines for obtaining a property appraisal, commencing foreclosure proceedings, and/or "exercising reasonable diligence" in completing the foreclosure.

**Manhattan Apartment Sales In 2018 Sink To Low Hit After Financial Crisis | Wall Street Journal**

After slowing for several years, the Manhattan apartment market dropped to a new low in 2018, as co-op and condominium sales fell to the lowest level since the economy last bottomed out in 2009.

Few brokers are predicting a recovery anytime soon.

Sales were down 12% from 2017 levels, a Wall Street Journal analysis found, and 22.5% from peak sales levels in 2013, the high point since the financial crisis that began in the fall of 2008.

While home sales across the country have shown recent signs of slippage, they have been retreating for far longer in Manhattan, a bellwether for luxury markets, despite a strong local economy.

**U.S. Average Mortgage Rates Fall; 30-Year At 4.51 Percent | Associated Press**

Mortgage buyer Freddie Mac said Thursday the average rate on the benchmark 30-year, fixed-rate mortgage declined to 4.51 percent from 4.55 percent last week. Despite recent declines, home borrowing rates remain far above last year's levels. The key 30-year rate averaged 3.95 percent a year ago.

The average rate for 15-year fixed-rate loans edged down to 3.99 percent this week from to 4.01 percent last week.

Mortgage rates began to spike after President Donald Trump signed broad tax cuts, financed by government deficits, into law in December 2017. But rates have eased in recent weeks amid steep declines in the stock market and tumbling interest rates on the 10-year U.S. Treasury note — which influences long-term mortgage rates.

The decline in mortgage rates could help boost home sales, which have stumbled last year as higher borrowing costs have eroded affordability.

**Government Shutdown Halts Reverse Mortgage Endorsements | Housing Wire**

With the government shutdown approaching the two-week mark, reverse mortgage endorsements have ground to a halt.

The Federal Housing Administration released a notice stating it will not be making insurance endorsements for HECM loans during the shutdown.

The FHA also noted that assistance will not be provided for lenders with issues regarding the Collateral Risk Assessment related to the second-appraisal protocol.

**What Actions Can Policymakers Take To Avert The Brewing National Housing Crisis? | Washington Post (Mark Zandi)**

Housing is sputtering. Home sales, home-building and homeownership have gone flat, and the rise in home prices threatens to stall out. Things aren't likely to get better soon, particularly for lower- and middle-income households struggling to make the rent and become homeowners. That is, unless policymakers act.

Housing statistics are clear. Sales of new and existing homes have gone sideways over the past year, as has new single- and multifamily home-building. Housing prices are still rising in much of the country, but the pace of growth is throttling back, and some builders are cutting prices to move houses. Homeownership, which collapsed during the housing crash a decade ago, is just off bottom, and foundering.

Housing's travails appear incongruous with the red-hot job market. The economy is creating lots of jobs, unemployment is near a 50-year low, and job openings are at a record high. Workers are demanding and getting bigger raises. In earlier times, when people had jobs, they bought and built homes. They became homeowners. So, what's wrong?

**'They Destroyed Me.' Wells Fargo's Mistake Forced Her To Sell Her Home | Los Angeles Times**
Michaela Christian lost a long battle with Wells Fargo in 2013 to save her Las Vegas home, a defeat she says changed the course of her life. When the bank refused to modify her mortgage, Christian moved in with a friend and scrambled to rebuild her life.

Five years later, Wells Fargo admits it made a mistake. Christian, 46, qualified for the kind of mortgage help that may have saved her home after all.

It is a mistake the giant bank admits it made nearly 900 times over several years, pushing hundreds of distressed homeowners into foreclosure.

## PRIVATE FUNDS

**What The Hell Happened To Hedge Funds? | Worth**
Before the financial crisis, the best hedge fund managers wildly outperformed the market—and this was after their hefty fees. Then, when hedge funds started underperforming the market in the years following the crash, their founders had a rationale. "We don't always outperform," they seemed to say. "We're hedge funds. Our job is to manage risk, to prevent downside." But that argument became hard to sustain when underperformance continued year after year and investors got restless—but fees largely stayed the same. Truth is, what was once the most celebrated instrument in the financial world is simply not working. Yet hedge funds, purported to be the most rational of economic actors, still manage $3.2 trillion. What the hell happened to hedge funds—and why do so many investors seem determined to go down with the ship?

**Eviction Filings And Code Complaints: What Happened When A Private Equity Firm Became One City's Biggest Homeowner | Washington Post**
She was late on rent and back in eviction court. Second time this year. Fourth time in the past two. Cassandra Brown, married mother of two, was fighting to stay in a house that her

family had owned for years, until they lost it to the bank shortly after the 2008 financial meltdown.

Now, she and her family continued to live in the same house as renters, paying more each month in rent than they once did in mortgage. Brown didn't want to uproot her children, even as the house passed from one investor to the next, finally landing with the $35 billion New York private equity firm Cerberus Capital Management.

Cerberus has become in just three years the largest owner of single-family homes in this Mississippi River town, with nearly 1,800 houses rented out to thousands of residents.

**Will Housing Issues Gain Traction In 2020 Election? | Curbed**
As Democratic presidential contenders start announcing their candidacies—kick-started by Sen. Elizabeth's Warren's announcement on January 1—pundits have begun to handicap the race. And in a potentially crowded field, everyone will be looking for ways to stand out and solidify their connection with the party's energized progressive wing.

Affordable housing advocates see this as an opportunity to elevate the policy issues they're most enthusiastic about.

"After decades of chronic underinvestment by Congress, it is remarkable that presidential hopefuls are now using their platforms to elevate the housing crisis for the lowest-income people," says Diane Yentel, president and CEO of the National Low Income Housing Coalition.

## STUDENT LOANS AND FOR-PROFIT SCHOOLS

**A $21,000 Cosmetology School Debt, And A $9-An-Hour Job | New York Times**
What Ms. Lozano didn't know was that the state-regulated school system she had put her faith in relies on a business model in which the drive for revenue often trumps students' educational needs. For-profit schools dominate the cosmetology training world and reap money from taxpayers, students and salon customers. They have beaten back attempts to create cheaper alternatives, even while miring their students in debt. In Iowa in particular, the companies charge steep prices — nearly $20,000 on average for a cosmetology certificate, equivalent to the cost of a two-year community-college degree twice over — and they have fought to keep the required number of school hours higher than anywhere else in the country.

Each state sets its own standards. Most require 1,500 hours, and some, like New York and Massachusetts, require only 1,000. Iowa requires 2,100 — that's a full year's worth of 40-hour workweeks, plus an extra 20. By comparison, you can become an emergency medical technician in the state after 132 hours at a community college. Put another way: An Iowa cosmetologist who has a heart attack can have her life saved by a medic with one-sixteenth her training.

There's little evidence that spending more hours in school leads to higher wages. Nor is there proof that extra hours result in improved public safety. But one relationship is clear:

The more hours that students are forced to be in school, the more debt they accrue. Among cosmetology programs across the nation, Iowa's had the fourth-highest median student debt in 2014, according to federal data.

**What A Student Loan 'Bubble' Bursting Might Look Like | Vice Media**
Meanwhile, Persis Yu, a staff attorney at the National Consumer Law Center, presented an even more alarming possibility to me: That the student loan market may share a lot of characteristics with an economic bubble—except for the one where there is a possibility of relief. She was careful not to minimize the devastating emotional impact of needing to, say, walk away from your home. But short of fleeing abroad or going underground or something, you can't ever—ever—walk away from student debt. The idea that college might be massively overvalued amid a deluge of irreversible debt sets the stage for some kind of (potential) collapse to be more devastating.

"You're not going to see the entire market bottom out, I don't think, like we did in the foreclosure crisis, because you won't see everyone default and then the bank is left holding the bag," she said. "Here, everyone defaults and the government just takes their wages, tax refunds, or Social Security benefits."

For his part, Marshall Steinbaum, research director at the left-leaning Roosevelt Institute, argued that student debt couldn't explode in a traditional "bubble" because it tends to be unsecured. That means you can't sell off your college degree at a loss the same way you might dump your house in a fire sale—or have it repossessed by a bank or other creditor. That piece of paper might become worth way less than you paid for it, but ultimately you're stuck with it.

## SYSTEMIC RISK

**FDIC Chair Says No Concerns About U.S. Bank Health Amid Market Turmoil | Reuters**
A top U.S. bank regulator said on Thursday she had no concerns that volatility in the equities and futures markets posed a threat to the banking system, telling Reuters the country's lenders have plenty of capital to weather further market swings.

Federal Deposit Insurance Corporation (FDIC) Chairman Jelena McWilliams also told Reuters that banking regulators had begun a review of the so-called CAMELS rating system used to assess the health of the nation's banks.

"Frankly, recent market movements have not given us any reason to be concerned," she said in an interview. "Banks are well capitalized. Actually, they are superbly well capitalized at this point in time."

**Regulatory Competition Is Hot Again — And That's Worrisome | American Banker**
Before the financial crisis, federal and state regulators unabashedly pitched their charters to banks as the better choice. Now regulatory competition is back, despite warnings that such jousting might result in lax oversight.

The renewed competition is a marker of how far the proverbial pendulum has swung in the decade since the crisis. The practice, still in its early stages, may be a boon for some —

foreign banks and financial technology companies are among those that seem poised to benefit. But skeptics fear that it will ultimately add risk to the financial system and harm consumers.

One post-crisis study by a Federal Reserve Board economist determined that banks get substantially higher supervisory ratings after they switch charters. Based on historical outcomes, a bank's odds of being rated fundamentally safe and sound increased to almost 100% when they opted for a new overseer, the study indicates.

## TAXES

**U.S. Companies Repatriate Over Half A Trillion Dollars In 2018, But Pace Slows | Reuters**

U.S. companies have sent home over half a trillion dollars of cash they held overseas in 2018 to take advantage of tax changes, but data suggest the pace is slowing, potentially removing a key source of support for Wall Street.

Dollar repatriation in the July-September period fell to $93 billion, around half of second-quarter volumes and less than a third of the $300 billion or so sent home from January to March, U.S. current account data shows.

The repatriation bonanza followed new regulations that allowed the U.S. government to tax profits accumulated overseas, regardless of where the money was held. Prior rules allowed companies to "defer" U.S. tax on worldwide profits unless they repatriated the money.

**Nancy Pelosi Rams Austerity Provision Into House Rules Package Over Objections Of Progressives | The Intercept**

Despite pressure from progressive Democrats, the House rules package for the 116th Congress will include a pay-as-you-go provision, requiring all new spending to be offset with either budget cuts or tax increases, a conservative policy aimed at tying the hands of government.

Alexandria Ocasio-Cortez, who will be sworn in this week to represent a district in New York, will vote against the package, her spokesperson told The Intercept. Rep. Ro Khanna, D-Calif., announced Wednesday he would oppose it.

Presumptive House Speaker Nancy Pelosi, who will be sworn in on Thursday, has promised for months to restore the pay-go rule, which she instituted when first taking over the speaker's gavel in 2007. She ran into resistance from progressives, who believe that the rule would make it more difficult for Democrats to pass a host of liberal agenda items, from "Medicare for All" to a Green New Deal to tuition-free public college. Critics also argue that pay-go creates an unlevel playing field, where Republicans get to blow giant holes in the tax code, as they did with the 2017 tax cuts, while Democrats must pay fealty to the deficit.

**Tax Cut Increases U.S. National Debt | Billings Gazette (Art Foeste)**
One year ago we all got the news that corporations and the wealthy were getting a giant tax cut and all those forecasts of ballooning the national debt by $1.6 trillion or more just didn't take into account growth corporate America was going to create with their windfall. So how are corporations spending that extra money?

According to the latest reports it wasn't on wage increases or investing in machinery or equipment. Corporate America is buying back its own stock which is intended to raise the stock price and benefit investors. They spent a record $1.1 trillion on buybacks in 2018.

It was also recently reported that the U.S. Treasury is borrowing $1.3 trillion this year because tax revenues are way down and spending is up. This is the largest amount borrowed since 2010 when times were actually bad. When you combine these two events, you get: Money from a big tax cut increases our national debt and is used to buy back stock. And all that money just evaporated with the latest market selloff.

**The Trump Tax Cut: Even Worse Than You've Heard | New York Times (Paul Krugman)**
The 2017 tax cut has received pretty bad press, and rightly so. Its proponents made big promises about soaring investment and wages, and also assured everyone that it would pay for itself; none of that has happened.

Yet coverage actually hasn't been negative enough. The story you mostly read runs something like this: The tax cut has caused corporations to bring some money home, but they've used it for stock buybacks rather than to raise wages, and the boost to growth has been modest. That doesn't sound great, but it's still better than the reality: No money has, in fact, been brought home, and the tax cut has probably reduced national income. Indeed, at least 90 percent of Americans will end up poorer thanks to that cut.

## OTHER TOPICS

**Podcast: 10 Years Later: The Financial Crisis And Opportunity In America | How Did You Get This Number?**

**Bank Accounts Designed For Low-Income Customers Find Broader Audience | Wall Street Journal**
No-frills bank accounts developed for low-income customers are gaining popularity among a broader swath of customers.

The accounts, known as checkless bank accounts or safe-transaction accounts, include ATM access, debit cards and mobile banking for small fees and minimum deposit requirements. They don't include paper checks or overdraft protection, two features that aren't as popular amid a customer shift to digital banking.

Banks started offering affordable checkless accounts around 2014 as part of a government-backed effort to help "unbanked" and "underbanked" consumers enter the banking system, and reduce their reliance on more expensive nonbank services such as check cashing and money transfers. The accounts also are designed to help banks improve their record under the Community Reinvestment Act, which requires banks to help meet the credit and banking needs of lower-income communities. Regulators, including the Federal Deposit Insurance Corp. and the Consumer Financial Protection Bureau, have promoted them.

**Beyond The Bottom Line: Should Business Put Purpose Before Profit? | Financial Times**

The pursuit of returns to companies' owners at the expense of other stakeholders has undoubtedly led to greater profits, generating enormous wealth for investors and the executives whose rewards have been increasingly tied to shareholder returns. But it has come at a cost to employees, customers and the environment; incentivised boards to pay less tax; diverted cash to earnings-flattering share buybacks rather than investment; and — among those outside the privileged club of equity owners — eroded the trust on which companies ultimately depend.

A decade after the financial crisis shook voters' confidence in capitalism, the challenges to Friedman's model have been gathering momentum. Now — even as US President Donald Trump pursues stereotypically "pro-business" policies such as cutting corporate taxes and regulations — they are starting to converge into something that looks like a new worldview, shared by leading executives and investors and shaped by an unlikely alliance of consumers, employees, campaigners, academics and regulators. Together, they could break a consensus that has governed business for two generations and offer a new model for capitalism based on the watchwords of purpose, inclusion and sustainability.

For this capitalist reformation to succeed, however, it will have to prove it has more substance than spin, survive the market's down cycles and persuade a public whose faith in corporate and institutional elites remains fragile.

**North Korea Built An Alternative Financial System Using A Shadowy Network Of Traders | Wall Street Journal**

A 2017 order by a federal judge in Washington said that in the past decade, eight banks in the U.S. processed $700 million linked to just one China-based network acting on Pyongyang's behalf, with more than $50 million flowing in seven months during 2016 and 2017.

U.S. bank executives say that despite their anti-money-laundering processes, it can be hard to stop North Korea-related transfers because, as clearing banks, they are one step removed from the companies that help Pyongyang. Those transfers originate in banks outside the U.S., in many cases in China.

In the 2000s, Washington barred U.S. institutions from dealing with Banco Delta Asia, a Macau bank that handled North Korean funds, and went after North Korean banks that supported the country's nuclear program. The U.S. and U.N. later added rules to make dollar-based trade even harder for North Korea. The restrictions hurt Pyongyang because sellers of commodities it needs, including oil, normally demand to be paid in U.S. dollars.

**The Biggest Problem For The Global Economy In 2019 Won't Be The US-China Trade War | Forbes (Panos Mourdoukoutas)**

The US-China trade war was the big problem in 2018, raising fears of de-globalization and the descent of the global economy into a collection of highly protected national markets.

But financial markets and global corporations will bring the two parties on the negotiation table in 2019, the way they did with NAFTA a few months ago.

Instead, the biggest problem for the global economy in 2019 will be massive business failures that could also lead to bank failures in emerging markets relying on foreign capital to maintain elevated living standards.