Americans for Financial Reform Education Fund

This Week in Wall Street Reform | Apr 6 - 12

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THE TRUMP ADMINISTRATION, CONGRESS & WALL STREET

Regulators Instructed To Clear New Policies With White House | American Banker
The Trump administration on Thursday published a memorandum that would require federal bank regulators and other independent agencies to submit their pending rules to the White House before they can be finalized, a novel procedural hurdle that could slow down rules and guidance from the agencies.

The memorandum, signed by acting White House Office of Management and Budget Director Russell Vought, said that the Congressional Review Act of 1996 requires federal agencies to submit their rules to the White House Office of Information and Regulatory Affairs to determine whether they are "major" and thus potentially subject to revocation by an act of Congress.

Those requirements have not been applied to independent agencies, but the memo argues that because those agencies — including the Federal Reserve, Securities and Exchange Commission, Commodity Futures Trading Commission and others — derive their authority from the executive branch they are equally subject to Congressional Review Act procedures.

Watch: House Democrats Grill Bankers — And It's Not Pretty | All In With Chris Hayes

Big-Bank Chiefs, Democrats Spar At House Hearing | Wall Street Journal

The heads of seven of the largest U.S. banks sparred with House Democrats on Wednesday, arguing the financial system is now much safer than during the last joint testimony a decade ago in the depths of the crisis.

Bank chiefs including JPMorgan Chase JPM +1.15% & Co.'s James Dimon, Citigroup Inc.'sC +1.18% Michael Corbat, Morgan Stanley 's MS +1.26% James Gorman and Goldman Sachs Group Inc.'s GS +0.75% David Solomon told lawmakers that their firms were more tightly overseen and less risky, with some using the opportunity to press for eased regulation. Lawmakers peppered the executives with questions about possible new threats to the financial system and pressed them on issues such as economic inequality and guns.

"There's trillions of dollars locked up to hold liquidity, in perpetuity," Mr. Dimon said. "You can actually change the capital in a way that makes the system safer" and spurs more lending, he added. With the CEOs lined up alphabetically, Messrs. Corbat, Dimon and Gorman were often called on first to answer questions during around six hours of questioning.

At Oversight Hearing, Republicans Lavish Praise On Wall Street Oligarchs | HuffPost (Zach Carter)

If you want to know who exercises real power in American government, take a look at Wednesday's congressional testimony from the CEOs of the nation's biggest banks. Over the course of seven relentless hours, lawmakers fell all over themselves to heap praise on the CEOs of JPMorgan Chase, Goldman Sachs, Bank of America, Citigroup, Morgan Stanley, State Street and Bank of New York Mellon — seven men who together control nearly $12 trillion in total assets.

Republican lawmakers, in particular, seemed to enjoy transforming what was ostensibly an oversight hearing into an opportunity to demonstrate whom America's elected officials really work for. With the unchecked glee of children encountering their favorite cartoon characters at Disneyland, members of Congress praised the assembled CEOs not only for their business savvy but for the apparently profound moral contributions they have made to American communities.

These well-tailored men were not just captains of industry; they were incubators of the American dream and guardians of our national security.

Wall Street Has A Plan For Angry Lawmakers: Let Jamie Dimon Take Over | Bloomberg

There's a joke going around Washington about the best strategy for the Wall Street CEOs when they face off with lawmakers this week: Stay calm and let Jamie Dimon take over.

Unlike the rest of the bank leaders testifying before the House Financial Services Committee, the JPMorgan Chase & Co. boss has been in the congressional hot seat many times before. And rival executives point out, he has a tendency to dominate the conversation anyway.

The April 10 hearing has consumed big banks' lobbying and public relations operations for weeks. They've compiled thick briefing binders on issues like small business lending and minority hiring, readied responses to pointed questions about pay and inequality, and conducted so-called murder boards -- practice sessions where chief executive officers are cross-examined by a team pretending to be hostile members of Congress.

Four Senate Republicans Signal Opposition To Trump's Plan To Put Herman Cain On Federal Reserve Board, All But Sinking His Nomination | Washington Post
A swift defection of at least four Senate Republicans has all but doomed Herman Cain's chances of winning a seat on the Federal Reserve's board of governors, a striking rebuke to President Trump in his drive to remake the powerful U.S. central bank.

A strong ally of the president, Sen. Kevin Cramer (N.D.), on Thursday joined three other Republicans — Sens. Mitt Romney (Utah), Lisa Murkowski (Alaska) and Cory Gardner (Colo.) — in announcing opposition to Cain's appointment to the Fed. Republicans control 53 votes in the 100-seat Senate, and losing the support of four members means Cain would need help from Democrats, which appears unlikely.

"If I had to vote today, I would vote no," said Cramer, a member of the Senate Banking Committee that would consider any nomination.

CONSUMER FINANCE AND THE CFPB

Inflated Credit Scores Leave Investors In The Dark On Real Risks | Bloomberg
Consumer credit scores have been artificially inflated over the past decade and are masking the real danger the riskiest borrowers pose to hundreds of billions of dollars of debt.

That's the alarm bell being rung by analysts and economists at both Goldman Sachs Group Inc. and Moody's Analytics, and supported by Federal Reserve research, who say the steady rise of credit scores as the economy expanded over the past decade has led to "grade inflation."

This means debtors are riskier than their scores indicate because the metrics don't account for the robust economy, skewing perception of borrowers' ability to pay bills on time. When a slowdown comes, there could be a much bigger fallout than expected for lenders and investors. There are around 15 million more consumers with credit scores above 740 today than there were in 2006, and about 15 million fewer consumers with scores below 660, according to Moody's.

Avant In Late-Stage Discussions With OCC In Fintech Charter | Politico Pro
Online lender Avant is in late-stage discussions with the Office of the Comptroller of the Currency about pursuing a limited-purpose bank charter and could be the first financial technology firm to formally take that step, according to people familiar with the matter.

The Chicago-based lender, founded in 2012, would face a number of hurdles to getting a national charter, including litigation by state bank regulators who say the OCC is overstepping its bounds by offering federal charters to fintechs. The charter is intended for companies that provide narrowly targeted banking services, such as making loans or paying checks, but that don't take deposits.

It would also be a test case as to the type of capital and liquidity requirements that would be tied to such a charter, as well as the extent to which nationally chartered fintechs will have direct access to the Federal Reserve's services, like its payments system.

Payday Loan Reform Advocates Will Try Again On '30-Days-To-Pay' Bill | Montgomery Adviser
Payday lending reform advocates will make another attempt to try to rein in the triple-digit interest rates lenders can charge customers.

A bipartisan group of legislators said they would put forward legislation that would extend the period to pay off the short-term loans to 30 days, which could cut the annual percentage rate on the products from 456 percent to about 200 percent.

Sen. Arthur Orr, R-Decatur, who has carried similar legislation for the past several years, said at a news conference Thursday morning that the bill was not looking to drive the industry out of the state.

Lawmakers Seek Limits On Payday Loan Industry | Alabama Daily News
Payday lending customers would have longer to repay their loans under a proposal supporters hope will win approval after years of stalled reform efforts.

HB 258 from Rep. Danny Garrett, R- Trussville, is dubbed the "30 Days to Pay" bill. The proposed bill has already been filed in the Alabama Senate by Sen. Arthur Orr, R-Decatur, as SB 75.

Advocacy groups on Thursday urged lawmakers to support the measure they said will give borrowers a fighting chance to repay the loans.

Bill To Reform Payday Loan Companies In Alabama | CBS 42
Thursday a group of bipartisan legislators announced a bill that would give payday loan borrowers 30 days to pay back loans instead of 10. Payday loans are short term and small loans that are usually $500 or less.

Lora Boswell is like many hard-working Alabamians and says she often comes up short financially.

"I've done payday loans in the past, it's something that I won't do again. It's like a cycle."
A circle of debt is how is Lora Boswell describes her payday load experience.

US Consumer Watchdog Says 'All Options On Table' For Enforcing Wells Fargo Order | Reuters

The U.S. Consumer Financial Protection Bureau (CFPB) has told Congress that “all options are on the table” for enforcing a 2018 consent order against Wells Fargo, raising the prospect of potential future penalties or other sanctions against the bank.

In a letter to Democratic Senators Elizabeth Warren and Sherrod Brown published by the lawmakers on Tuesday, CFPB Director Kathy Kraninger said she was unhappy with Wells Fargo’s progress fixing its risk management issues.

“I am not satisfied with the bank’s progress to date and have instructed staff to take all appropriate actions to ensure the bank complies with the consent order and Federal consumer financial law,” she wrote in the letter dated April 5.

American Savers Have Lost An Estimated $500 Billion Due To Low Interest Rates Since The Financial Crisis | CNBC
American savers have lost $500 billion to $600 billion in interest payments on bank accounts and money market funds thanks to the Federal Reserve’s post-financial crisis policies, according to Wells Fargo analyst Mike Mayo.

Mayo included the statistic in a research note about the congressional hearing scheduled for Wednesday called “Holding Megabanks Accountable: A Review of Global Systemically Important Banks 10 Years After the Financial Crisis.” Lawmakers are likely to grill bank CEOs on lending, compensation and regulation, he wrote.

As the CEOs of several of the biggest U.S. banks gather in Washington to testify before the Democrat-led House Financial Services Committee, Mayo pointed out that one long-lasting impact from the crisis — caused in part by irresponsible bank behavior — is suppressed interest rates. Rates on about $6.6 trillion in interest-bearing accounts would have been at least 100 basis points higher over the past decade, according to the note.

Now Wanted By Big Credit Bureaus Like Equifax: Your Alternative Data | Fast Company
Take a look at a credit report from one of the big three credit reporting agencies, and you’re likely to see certain types of accounts listed: credit cards, mortgages, car payments, and student loans, for instance.

How you pay those bills impacts the credit score that lenders use to determine how risky you are. But other types of accounts don’t generally show up on your traditional credit report. Those include phone and electric bills, rent, and payments to many types of credit providers such as payday lenders, rent-to-own stores, and online personal lenders.

The country’s biggest credit bureaus—Experian, Equifax, and TransUnion—are trying to change that. As part of a growing push to expand the population to whom lenders can offer loans, the companies are helping lead an industry push to gather “alternative” credit data, in what’s been called one of the biggest changes to credit scoring in years.

Some Lenders Are Judging You On Much More Than Finances | Los Angeles Times

All it takes is a keystroke, maybe two, to hurt your chances of borrowing money from online lender Basix.

Like a growing number of personal and small-business lenders, Basix looks at much more than your financial history when determining whether you're likely to repay a loan.

Among thousands of factors is whether you type your name with proper capitalization or in all capital letters.

"If you fill in your name in all caps, you're a much higher risk," said Douglas Merrill, founder and chief executive of ZestFinance, the Hollywood parent company of Basix.

If that sounds absurd, consider the motto in big block letters on ZestFinance's website: "All data is credit data."

It's a mantra a growing number of lenders and credit-scoring firms are living by as they use more and more data — much of it unrelated to money — to augment traditional underwriting practices.

INVESTOR PROTECTION, SEC, CAPITAL MARKETS

A Harvard Professor Filed A Shareholder Lawsuit To Restrict Shareholder Rights | The Intercept
Over the past two years, some senior officials at the Securities and Exchange Commission have indicated that they would be open to corporations foisting mandatory arbitration on their shareholders, and now a team of pro-corporate players are ready to put them to the test. Two lawyers have joined with a high-profile Harvard professor on a pivotal case that could strip away shareholders' rights to sue public companies. The Harvard professor, Hal S. Scott, runs a Wall Street advocacy group supporting deregulation. The lawyers both made their names busting labor unions; one of them, Jonathan Mitchell, is a current Trump nominee, and social media posts link the other, Wally Zimolong, to discriminatory views.

A trust run by Scott, an emeritus professor at Harvard Law School, sued Johnson & Johnson in a New Jersey federal court last month, seeking to force the company to allow shareholders to vote on a proposal that would take away their right to sue the company in court. Johnson & Johnson, relying on a determination by the SEC that such a measure would risk violating New Jersey state laws, declined to present the proposal to shareholders in advance of its April 25 annual meeting. On March 26, the trust sought a court injunction to force the company to include the proposal. On Monday, U.S. District Court Judge Michael A. Shipp denied the injunction but allowed the litigation to proceed.

EXECUTIVE COMPENSATION

Dimon Defends JPMorgan's Minimum Wage, Pointing To Low Pay Elsewhere | Bloomberg

Jamie Dimon defended the wages of his bank's lowest-paid employees after being criticized by a lawmaker earlier this week.

The chief executive officer of JPMorgan Chase & Co., the largest U.S. bank, pushed back on questions in a call with journalists, asking reporters from the New York Times and CNBC how much their publications pay entry-level workers and saying the banking industry likely pays more than the U.S. government.

"We take very good care of our entry-level jobs: $35,000 to $37,000 per year, medical, retirement," he said. "When you're looking at wages, you better look around at other people. The banking industry is pretty good."

Representative Katie Porter, a first-term Democrat from California, asked Dimon at a hearing on Wednesday about a minimum-wage employee at JPMorgan who couldn't cover her monthly expenses. Dimon said he was sympathetic but would have to think about how the employee could get by on that salary. He pointed out that was for an entry-level job that often goes to high school graduates, and the bank offers opportunities for promotions.

Bank Of America Is Raising The Minimum Wage For Its Employees To $20 An Hour | CNBC
Bank of America is raising the minimum wage for employees this year and plans to hike it to $20 an hour in two years.

"If you get a job at Bank of America, you'll make $41,000" a year, Chairman and CEO Brian Moynihan told MSNBC on Tuesday. "With the success our company has ... we have to share that success with our teammates."

Starting May 1, the hourly minimum wage will rise to $17 and will go higher in increments for the next two years, the Charlotte, North Carolina-based company said Tuesday in a statement. The bank has also frozen healthcare cost increases for lower-paid employees, Moynihan said on MSNBC.

MORTGAGES AND HOUSING

Watch: Mobile Homes | Last Week Tonight With John Oliver

National Trend Toward Consolidation Of Mobile Home Park Ownership | Iowa Press-Citizen
Mobile home owners who for years have enjoyed some immunity from rising housing costs are increasingly finding themselves subjected to massive rent increases, not just here in Iowa, but across the country.

Havenpark Capital, a Utah-based real estate investment firm, raised eyebrows — along with rents — after it purchased parks in the Iowa City and Des Moines metro areas and immediately announced plans for rent spikes. In North Liberty, rents at Golfview Mobile Home Park will rise 58% and in Waukee, rents at Midwest Country Estates will rise 69%. On

Friday, Havenpark Capital purchased two more mobile communities: Iowa City's Sunrise Village and West Branch's West Branch Village. And as it turns out these are just the tip of the iceberg.

There is a growing trend among some of the largest private equity firms and institutional investors to acquire assets in the manufactured housing sector, according to a 2019 report put together by three housing advocates groups: Private Equity Stakeholder Project, Manufactured Housing Action and Americans for Financial Reform Education Fund.

Hispanics Account For The Majority Increase In US Home Ownership | Housing Wire
The National Association of Hispanic Real Estate Professionals released the 2018 State of Hispanic Homeownership Report on Tuesday at its Housing Policy & Hispanic Lending Conference.

The annual report found that from 2008 to 2018, the Hispanic population was responsible for 81% of U.S. labor force growth, accounted for 39.6% of U.S. household formations and represented 62.7% of the increase in U.S. net homeownership.

“The annual State of Hispanic Homeownership Report play an important role in noting important trends in the Latino megamarket and serves as a key informational resource for policymakers and industry stakeholders,” NAHREP said in a press release.

PRIVATE FUNDS

Former Senator Kelly Ayotte To Join Blackstone’s Board Of Directors | Blackstone Press Office
Blackstone (NYSE:BX) today announced that former Senator Kelly Ayotte will join its board of directors effective May 13, 2019.

Ayotte represented New Hampshire in the U.S. Senate from 2011 to 2016, serving on the Senate Budget, Commerce, Homeland Security and Governmental Affairs, Armed Services, Small Business and Entrepreneurship, and Aging Committees. She chaired the Armed Services Subcommittee on Readiness and the Commerce Subcommittee on Aviation Operations.

Prior to her election in 2010, Ayotte served as New Hampshire’s first female Attorney General, holding the position under both Republican and Democratic governors. She previously served as Deputy Attorney General, Chief of the Homicide Prosecution Unit and as Legal Counsel to Governor Craig Benson in New Hampshire. Ayotte began her career as a law clerk to the New Hampshire Supreme Court and as an associate at the law firm McLane Middleton

Culinary Union Concerned About Increasing Influence Of Hedge Funds | Las Vegas Review-Journal

The Culinary union is wary of hedge fund activist Carl Icahn's growing influence of Caesars Entertainment Corp. and Corvex Capital founder Keith Meister's influence of MGM Resorts International.

Four union representatives addressed the state Gaming Control Board on Wednesday and submitted letters about their concern about the influence the hedge-fund operatives have with less than 10 percent stock ownership.

The union said that Icahn won three board seats at Caesars and effectively gained the right to select the company's next CEO in March and that Meister joined the MGM board in January with 3 percent of its stock.

Univision Sells Gizmodo, The Onion To Private Equity Firm | The News Gazette
Univision has sold tech site Gizmodo, satirical-news hub The Onion and other English-language sites to the private equity firm Great Hill Partners. Terms were not disclosed.

The Spanish-language broadcaster bought much of what was then known as Gawker Media for $135 million in 2016 after the gossipy, confrontational media company lost a privacy suit against Hulk Hogan. (The original Gawker.com has a different owner. It is being relaunched by another digital media company, Bustle.)

Just a few years ago, Univision was investing in English-language digital sites aimed at young people. It had bought The Onion in January 2016 and African-American news site The Root in 2015.

STUDENT LOANS AND FOR-PROFIT SCHOOLS

States Say DeVos Is Hurting Efforts To Police Student Loan Servicers | CNN
There's a fight brewing between states and Secretary of Education Betsy DeVos over who has the power to police student loan servicing companies as consumer advocates question whether the federal government is doing enough to protect borrowers from shady practices.

Democratic attorneys general from 20 states and Washington, DC, sent a letter to the secretary last week saying the Department of Education is blocking access to records requested by law enforcement.

"The department's policy reversal impedes states' ability to enforce the law and shields unprincipled industry actors from regulatory enforcement, harming student loan borrowers nationwide," the letter reads.

Betsy DeVos Quietly Making It Easier For Dying For-Profit Schools To Rip Off A Few More Students On Their Way Out | The Intercept
Betsy DeVos's Education Department quietly dropped requirements for risky for-profit colleges to set aside funds in case the schools closed, according to documents from a

lawsuit filed last year. Two of the for-profit networks subsequently shut down without owing the Education Department any money; in one case, the department actually gave $10 million back to a for-profit on the brink of bankruptcy.

Not only did this deprive taxpayers an offset to costs associated with refunding loans, but it also extended the life of the for-profit colleges, allowing them to enroll more students into a doomed enterprise that wasted time, money, and effort, and delivered them nothing of value.

That mirrors a persistent theme of DeVos's leadership. Though the Obama administration initially dithered while for-profit colleges preyed on students, eventually it did crack down on the sector. Not so under DeVos.

Fewer Rules, More Accountability: How For-Profit College Bills Could Affect California | Capital Public Radio
A federal regulation called the gainful employment rule aims to protect students like Morris from incurring large debts for career education that doesn't pay off. But with the Trump administration vowing to repeal the Obama-era rule, California could soon put in place its own law requiring vocational programs to demonstrate that they can place students in jobs that pay well enough to cover their loans.

Representatives of for-profit colleges, which would likely be most impacted by the first-of-its-kind legislation, decry it as impractical and say it would punish schools for results that are beyond their control. They're fighting it and a related proposal to bar private colleges from deriving more than 85 percent of their tuition revenue from government financial aid programs. Both bills passed in the Assembly's higher education committee Tuesday.

"Gainful employment has been a failure," said Robert Johnson, executive director of the California Association of Private Postsecondary Schools. "It assumes everyone goes to work 40 hours a week, they don't get into a car crash, they don't go to jail. That's crazy to put that [responsibility] back on the school."

Cold, Hard Facts About For-Profit Colleges | Winston-Salem Journal
At a recent hearing on Capitol Hill about higher education, Rep. Virginia Foxx of North Carolina complained about the attention given to problems with for-profit colleges. She said, "To sit here and grind a tired old ax against certain types of institutions you don't like is just disgraceful."

But for-profit colleges have a bad reputation for good reason. And in North Carolina, this is no exception.

In fact, a key indicator shows that for-profit colleges in North Carolina have the lowest completion rates in the nation. While public four-year colleges in the state have a completion rate of 56.4%, for-profit four-year programs have an abysmal 16.1% completion rate.

SYSTEMIC RISK

Read: [Senator Elizabeth Warren's Letter To Federal Reserve Nominee Stephen Moore]

[How Regulators, Republicans And Big Banks Fought For A Big Increase In Lucrative But Risky Corporate Loans] | Washington Post
Actions by federal regulators and Republicans in Congress over the past two years have paved the way for banks and other financial companies to issue more than $1 trillion in risky corporate loans, sparking fears that Washington and Wall Street are repeating the mistakes made before the financial crisis.

The moves undercut policies put in place by banking regulators six years ago that aimed to prevent high-risk lending from once again damaging the economy.

Now, regulators and even White House officials are struggling to comprehend the scope and potential dangers of the massive pool of credits, known as leveraged loans, they helped create.

[Shadow Banking Is Now A $52 Trillion Industry, Posing A Big Risk To The Financial System] | CNBC
Nonbank lending, an industry that played a central role in the financial crisis, has been expanding rapidly and is still posing risks should credit conditions deteriorate.

Often called "shadow banking" — a term the industry does not embrace — these institutions helped fuel the crisis by providing lending to underqualified borrowers and by financing some of the exotic investment instruments that collapsed when subprime mortgages fell apart.

Shadow banking was 'de facto financial reform' in China: Analyst
The companies face less regulation than traditional banks and thus have been associated with higher levels of risk.

In the years since the crisis, global shadow banks have seen their assets grow to $52 trillion, a 75% jump from the level in 2010, the year after the crisis ended. The asset level is through 2017, according to bond ratings agency DBRS, citing data from the Financial Stability Board.

[Is It Time To Worry About The Next Recession?] | Who What Why
This time around, the recession trigger may be [corporate debt], which is fueling a prosperity that is not reaching average Americans, progressive economists have charged. Making matters worse, they contend, many US families have not yet recovered from the financial meltdown of 2008. They noted that [consumer debt], particularly when it comes to [student]and auto loans, has continued to rise.

"What has this gangbusters growth done for us?" asked Marcus Stanley, policy director of nonprofit advocacy group Americans for Financial Reform (AFR). Since 1998, a "typical household's" wealth has actually dropped by 8 percent, he said, while "financial sector profits as a share of the economy have soared 40 percent," he added. Since 2000, worker wages have climbed by just 6 percent.

Late last month, AFR released a sobering report, Finance for a Fair Economy, which documented how the US economy is not serving the public well. “The decade from 2007 to 2016 saw the largest increase in US wealth inequality on record,” the report asserted.

Kaptur Leads House Democrats In Introducing Bill To Reinstate And Expand Glass-Steagall | Marcy Kaptur Press Office
Congresswoman Marcy Kaptur (OH-09), the House’s longest serving woman, led a group of 26 House members to introduce the Return to Prudent Banking Act of 2019, legislation that would reinstate and expand the historic provisions of the Glass-Steagall Act of 1933 restricting affiliations between commercial and investment banks. The legislation has been endorsed by AFL-CIO, the International Brotherhood of Teamsters, Communications Workers of America, International Federation of Professional and Technical Engineers, Public Citizen, and Take on Wall Street.

Fed Proposes Easing Post-Crisis Rules On The Biggest Banks | Washington Post
The Federal Reserve Board on Monday proposed easing key post-crisis regulations for the country’s biggest banks, despite concerns from one member that the proposal goes too far.

Under the plan, big banks such as JPMorgan Chase and Bank of America would have to submit their full “living wills” — plans for their closure during another economic crisis — every four years instead of every year. Slightly smaller banks, including Capital One and Deutsche Bank, would have to file their complete plans once every six years.

The proposal comes as the Trump administration continues to look for ways to curtail the regulatory burden faced by the banking industry, a decade after the global financial crisis. The industry has complained many of the strictest rules are too cumbersome and costly.

Deutsche Bank Needs Some Serious Laundering | Forbes (Mayra Rodriguez-Valladares)
European and U.S. banks are so interconnected, that it was only a matter of time before we would discover that of course, the recent Danske Bank money laundering has been going on in the U.S. According to a recent Bloomberg article, “Deutsche Bank's U.S. Unit Kept Danske's Shady Billions Flowing,” before regulators discovered “what may be one of the biggest money-laundering pipelines in history, low-level bank employees in Jacksonville, Florida, sounded repeated alarms. Compliance workers for Deutsche Bank AG flagged some of at least $150 billion in transactions that the bank’s U.S. subsidiary handled for a tiny Estonian unit of Danske Bank A/S.” That some compliance officers discovered problems at Deutsche is actually good news; it means that they are doing their job. Risk management at banks is usually set up so that those undertaking transactions such as lending or derivatives are considered the first line of defense. They are responsible for complying with all bank designed processes and regulations. If they do not find problems or ignore violations, compliance officers are the second line of defense. The problem at Deutsche Bank, however, is that relationship managers and middle managers have repeatedly ignored compliance officers’ findings and punish them when they do their job.

Why Scandinavian Banks' Clean Reputations Are Threatened By Dirty Money | New York Times
Scandinavia has long had a reputation as one of the most progressive regions in the world, known for generous parental leaves, bicycle superhighways and Abba.

So it has been a shock to see Scandinavian banks mired in a growing money laundering scandal, accused of helping Russian oligarchs, corrupt politicians and organized crime lords send hundreds of billions of ill-gotten dollars to offshore tax havens.

Danske Bank, the largest bank in Denmark, was caught first for suspicious activities at its subsidiary in Estonia and, in the past couple weeks, the scandal has spread to Swedbank and its subsidiaries in the Baltics. Swedbank's chairman, Lars Idermark, resigned Friday, saying that the media storm surrounding the money laundering allegations was a distraction from his day job as chief executive of a forest products company.

Mr. Idermark's exit came less than a week after the bank fired its chief executive, Birgitte Bonnesen, who had previously supervised Swedbank's operations in the Baltic countries.

TAXES

Democratic Presidential Candidate Elizabeth Warren Wants To Raise $1 Trillion In Revenue With A New 7% Tax On Corporate Profits Over $1 Million | CNBC
Elizabeth Warren, the economic policy pacesetter in the Democratic presidential primary field, wants to raise $1 trillion in government revenue from a new 7% surtax on profits of the largest corporations.

What the Massachusetts senator dubs the "Real Corporate Profits Tax" would apply to worldwide profits exceeding $100 million. The purpose, she says, is to bolster government coffers by preventing corporate giants from exploiting loopholes to avoid federal taxation following the large tax cut enacted by President Donald Trump and a GOP-controlled Congress in December 2017.

"It will make our biggest and most profitable corporations pay more and ensure that none of them can ever make billions and pay zero taxes again," Warren wrote in a Medium post published Thursday morning. "To raise the revenue we need — and ensure every corporation pays their fair share — we need a new kind of tax that big companies can't get around."

Forcing Corporations To Pay At Least Some Tax | The American Prospect (David Dayen)
There are two potential remedies. You can scour the corporate tax code line by line, figuring out which credits are legitimate and which aren't. But every tax credit is cherished, at least to someone; trying to pare them back from a relentless business sector would be difficult and laborious.

Another option is what Warren has proposed: a kind of alternative minimum tax (AMT) for corporations. There actually was a corporate AMT, but it was loophole-ridden and ineffective, as the spectacle of dozens of profitable companies paying no taxes indicates. The 2017 tax law finally killed it. Warren's proposal, the Real Corporate Profits Tax, could succeed where the corporate AMT has failed.

Unlike the AMT, the new surtax would be imposed on top of the existing corporate tax burden, for corporations reporting more than $100 million in annual profits on their audited financial statements. Since corporations want to maximize earnings numbers to investors, and would in fact be harmed financially by lowballing that number, this is a forcing mechanism to keep companies honest.

Love Your Taxes | Noozhawk (Karen Telleen-Lawton)
If implemented, the Wall Street Tax Act would assess 10 cents per $100 of transactions, potentially reduce "unproductive and speculative trading" and raise $777 billion over a decade. Sponsors say their bill "addresses economic inequality and reduces high risk and volatility" in the market.

Marcus Stanley, policy director with Americans for Financial Reform, is confident the bill would transition investors toward longer-term investments which contribute to the real economy.

A Bipartisan Group In Congress Wants To Make It Harder For You To Do Your Taxes | Vox
Congress is set to make it illegal for the IRS to create free tax preparation software, software that could save millions of Americans from wasting their money on TurboTax, H&R Block, and other tax preparers currently profiting from the IRS's failure to help taxpayers.

ProPublica's Justin Elliott reports that the Taxpayer First Act, sponsored in the House by Democratic Rep. John Lewis (GA) and Republican Mike Kelly (PA), and in the Senate by Finance Committee Chair Chuck Grassley (R-IA) and Ron Wyden (D-OR), would prohibit the IRS from creating an online tax preparation system that would compete with TurboTax and H&R Block.

As Elliott explains, this provision is a long-held priority of those tax preparers, who have spent massive sums of money ($6.6 million just last year) lobbying Congress to keep taxes complicated and prevent the IRS from simplifying the process.

In Norway, You Can Look Up Your Neighbor's Income On The Internet. That's A Great Idea. | Vox (Dylan Matthews)
Asking that Trump give over his returns is a very modest, reasonable ask. But it doesn't go far enough. Maybe everyone's tax returns should be a matter of public record. It sounds wild, but in Norway, Sweden, and Finland, it's the law, and it works. Norway has been putting out records since 1814; in Sweden, they've been public since 1903.

Public tax returns help reduce gender and racial pay disparities, make labor markets more efficient, encourage workers to bargain for higher pay, prevent tax evasion, and create a rich font of data for economists and other researchers. The US ought to give the idea a try.

Progressive Tax Reform Requires A Healthy IRS | Economic Policy Institute (Hunter Blair)
Going forward we will need a much better-financed IRS who, rather than prioritizing audits of low-income workers, is given an affirmative mission to make the rich and powerful pay the taxes that are legally due. The 2017 GOP Tax Cuts and Jobs Act opened up egregious loopholes in the tax code for the rich and big corporations. In particular, the new pass-through loophole seems tailor-made to exacerbate noncompliance, as the 20 percent deduction will incentivize income shifting from labor income into pass-through business income. Pass-through income actually accounts for the bulk of the overall tax gap, largely because there is no employer reporting wages paid to the IRS. The benefits of tax dodging through this new loophole will, predictably, mostly accrue to the top of the income distribution. 69 percent of partnership income (one key component of pass-through income) is earned by the top 1 percent. And the ability to track these income flows is so poor that even researchers with access to extremely detailed administrative data from the IRS were unable to trace 30 percent of overall partnership income back to an ultimate owner or originating partnership.

Besides giving the rich and corporations a cut in statutory rates at the end of 2017, we have been giving them the tools to construct “do it yourself” tax cuts through avoidance for most of the past decades. If we want a country where the rich have to pay their fair share, we have to give the IRS the tools it needs to do its job, and IRS has to focus where the money is.

OTHER TOPICS

David Malpass, Trump’s Pick To Lead World Bank, Is Approved | New York Times
David Malpass, President Trump’s pick to be president of the World Bank and a longtime critic of the influence wielded by the bank and other multilateral institutions, was unanimously approved by its executive board on Friday.

Mr. Trump nominated Mr. Malpass, the Treasury under secretary for international affairs, in February. He will begin his five-year term on Tuesday, the executive directors said in a statement. He succeeds Jim Yong Kim, who stepped down abruptly in January to join an investment firm.

In a note to World Bank employees on Friday, Mr. Malpass, 63, said the organization was capable of “measurable successes” like raising median incomes, improving debt transparency and increasing private-sector development. He urged the bank’s staff to “work tirelessly” toward “a stronger, more stable global economy for all.”

Goldman Considers ‘A World Without Buybacks.’ It Looks Ominous. | Bloomberg

With political scrutiny of stock buybacks growing, Goldman Sachs started assessing an extreme scenario: “a world without buybacks.” The picture doesn’t look pretty.

That’s because corporate demand has far exceeded that from all other investors combined, according to strategists led by David Kostin. Since 2010, net buybacks averaged $420 billion annually, while buying from households, mutual funds, pension funds and foreign investors was less than $10 billion for each, Federal Reserve data compiled by Goldman showed.

“Repurchases have consistently been the largest source of U.S. equity demand,” the strategists wrote in a note Friday. “Without company buybacks, demand for shares would fall dramatically.”

Big Banks Offer ‘Target-Rich Environment’ For 2020 Democrats | Politico
Sen. Kirsten Gillibrand (D-N.Y.), who counts Wall Street as a major hometown industry, is backing a proposed financial transactions tax that is fiercely opposed by the banks. Sen. Cory Booker (D-N.J.) is concerned about increased corporate consolidation in the banking industry, spokesperson Sabrina Singh said.

Sen. Kamala Harris (D-Calif.) launched her presidential campaign with a speech touting a 2012 mortgage settlement she reached with banks as California attorney general. And Rep. Tulsi Gabbard (D-Hawaii) has called for breaking up large lenders and reviving a Depression-era that separated commercial and investment banking.

By signing up you agree to receive email newsletters or alerts from POLITICO. You can unsubscribe at any time.
Democrats, Warren told POLITICO, should be talking about how "'too-big-to fail banks are bigger than ever and they get their way politically in Washington."

Watch: Wall Street’s Male Backlash Against The Me Too Movement | The Daily Show With Trevor Noah
Desi Lydic and Michael Kosta investigate how the Me Too movement's exposure of workplace sexual harassment has resulted in a culture of paranoia among Wall Street bros.