This Week in Wall Street Reform | July 14 – 20

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KAVANAUGH NOMINATION

Kavanaugh's Record on Class Actions Thin, but Leaves Clues He'd Restrain Them | National Law Journal
Kavanaugh's strongest view on class actions comes in a case called Cohen versus United States, in which 10 taxpayers challenged the Internal Revenue Service's refund procedure involving taxes on phone calls... In a 2011 ruling, the majority allowed the case to go forward, but Kavanagh dissented with a strong critique of the plaintiffs…: "[C]lass certification is a necessary prerequisite to the class-wide jackpot plaintiffs are seeking here."

Kavanaugh ultimately concluded that the plaintiffs failed to go through alternative remedies before suing. But his thoughts about the plaintiffs could portend how he would rule in class actions. "He basically goes on a minor diatribe against class actions," said Brian Fitzpatrick, a professor at Vanderbilt Law School. "He just put it in there for color. And why should you do that unless you have some hostility?"

What Brett Kavanaugh Could Mean for Real Estate | Realtor
If the agency was restructured to have less power, it could become harder for ordinary people (such as home buyers) to bring lawsuits before the courts—and win them, says Linda Jun, senior policy counsel at **Americans for Financial Reform,** a Washington, DC-based nonprofit organization. "I'd be concerned about the lessening of consumer protections as a result," she says.

Will Kavanaugh Curb Sloppy White House Deregulation? | NY Times (Jonathan H. Adler)

Supreme Court Nominee Kavanaugh Seen as Business Friend, Regulation Skeptic | Insurance Journal
"He has a reputation for keeping regulators under control and not allowing regulators to travel too far beyond the intent of Congress, if at all, and kind of putting limits on the administrative state," said Senator Charles Grassley, an Iowa Republican who leads the Senate Judiciary Committee…

"He's a fan of presidential power and not a fan of agency power," said Lisa Heinzerling, a Georgetown University law professor. "He will be sympathetic to arguments that a big part of the administrative state as currently structured is unconstitutional."

THE TRUMP ADMINISTRATION, CONGRESS & WALL STREET

House Lawmakers Agree on Bipartisan Package on Capital Markets Rule-Easing | NY Times
Top lawmakers in the U.S. House of Representatives on Monday said they had agreed on a bipartisan legislative package to ease rules in a bid to help Main Street companies and boost jobs. The agreement between Republican Chairman of the House Financial Services Committee Jeb Hensarling and ranking Democratic member Maxine Waters will fuel hopes among the business lobby that lawmakers can move to loosen more financial laws during this Congress. Monday's agreement comes after Congress voted in May to ease oversight of all banks below $250 billion in assets, and to exempt community banks from a host of strict rules established by the 2010 Dodd-Frank financial reform law. The bipartisan Dodd Frank rewrite sparked hopes among lobbyists that lawmakers would move quickly to change other financial rules they say are hurting Main Street businesses and stymieing economic growth.

Bank Deregulation 2.0 Is Here | American Prospect (David Dayen)
Bank deregulation 1.0 was known as the Crapo bill, as much a commentary on its content as its main author, Senate Banking Committee Chair Mike Crapo. It significantly degraded Dodd-Frank, stripping enhanced regulations from banks with up to $250 billion in assets and reversing data disclosures that could have detected lending discrimination…

Most believed the second bill would never come to pass. But on Monday, Hensarling announced a deal with the ranking Democrat on the House Financial Services Committee, Maxine Waters, on a package of 32 previously passed bills, remade into the "JOBS and Investor Confidence Act," an expansion of a 2012 bill intended to expand startup activity called the JOBS Act.

Adversaries to allies: How Hensarling, Waters came together on bill | Politico
When Maxine Waters was sparking outrage among President Donald Trump's allies by calling for the public shaming of his advisers, one key conservative was quietly courting her: Waters' old adversary, Jeb Hensarling of Texas.

The bill is a milestone for Hensarling and Waters, who have been at odds for nearly six years as the top Republican and top Democrat on the often deeply partisan House Financial Services Committee.

The package still features several regulatory rollbacks that left consumer advocates uneasy with the legislation. **Americans for Financial Reform** and the AFL-CIO asked lawmakers to oppose the bill, saying it was "still a bad trade-off for investors and the public" despite her efforts to improve it.

To Restore U.S. Competitiveness, Pass the JOBS Act 3.0 | Wall St. Journal (Jeb Hensarling)
S. 2155 will ease some of these burdens on community and regional banks, helping the U.S. remain globally competitive. Yet 80% of U.S. business debt financing comes not from banks but from investors in capital markets. They need regulatory modernization, too. The House Financial Services Committee, which I lead, has been busy passing more than 20 bills on capital formation, known collectively as the JOBS and Investor Confidence Act of 2018, or JOBS Act 3.0. As part of the agreement to pass S. 2155, the Senate has committed to take up this important package.

Key Senate Subcommittee Has Taken Its Eye off Wall Street Fraud | Wall Street on Parade (Pam Martens and Russ Martens)
There's a very good reason that major Wall Street frauds haven't been in the headlines of late. It's certainly not because those frauds aren't taking place at this very moment all across Wall Street and its stealthy operations in London. It's also not simply that the U.S. Justice Department is consumed with Russian spies and the President of the United States remains obsessed with Hillary Clinton's email server.

It's because the major investigative body of Wall Street in the U.S. Senate, the Permanent Subcommittee on Investigations, has been turned into a sleepy little backwater that has held only two hearings this year and only three during all of last year and not one of those hearings has focused on Wall Street crime…

Republican Senator Rob Portman of Ohio chairs the Permanent Subcommittee on Investigations. In the 2016 election cycle, Goldman Sachs ranked number two among a list of combined contributors to his campaign committee and leadership PAC; Citigroup ranked number 5 and JPMorgan Chase ranked number 8 according to the Center for Responsive Politics. That's three of the largest Wall Street banks ranking in the top ten of Portman's donor base in the 2016 election cycle.

Midterms will show voters are tired of taking back seat to Wall Street | The Hill (Heather Booth)
I was the founding executive director of **Americans for Financial Reform** (AFR), now a coalition of over 200 organizations that coordinated the campaign to rein in the Wall Street abuses. We fought in the streets, in the halls of Congress, in the press and on Wall Street...

For six years now, AFR has taken the public temperature on financial regulation. The public wants more, not less, and it's true across parties, geography, race and income. A recent poll by the **Take On Wall Street** campaign found rock-solid support across those same constituencies for fighting racial discrimination in lending.

Likely voters were outraged to learn that Wall Street was the biggest recipient of the tax bill's largesse and that Congress passed bills enabling discrimination in auto and home lending.

CONSUMER FINANCE AND THE CFPB

Is Kathy Kraninger qualified to run the CFPB? | NPR
Kathleen Kraninger has an extensive background in homeland security. She has no experience in consumer finance. Right now Kraninger is at the Office of Management and Budget… Kraninger's track record at OMB has not impressed consumer advocates like Lisa Donner, head of **Americans for Financial Reform**. "There are some basic questions about the role that she has played in some management failures." Kraninger helped oversee the chaotic separation of undocumented immigrants and their children and the federal government's response to Hurricane Maria in Puerto Rico. Donner says Kraninger's lack of experience would be disastrous at the CFPB.

CFPB Director Nominee Gets Heat From Dem Senators | Law 360
President Donald Trump's nominee to become director of the Consumer Financial Protection Bureau faced withering criticism from Democratic senators at her confirmation hearing Thursday over her past oversight of agencies responsible for the recent separations of

migrant families, but offered a few glimpses of how she might lead the federal consumer watchdog.

Trump's Pick to Run Consumer Watchdog Faces Skeptical Senate | NY Times
Democrats who've questioned Kraninger's qualifications to lead the CFPB since her nomination pressed her Thursday on her lack of experience in banking or financial services, as well as issues such as payday lending and enforcement actions against financial institutions. Under Mulvaney, the agency has taken a more business-friendly approach and Democrats assume Kraninger will do the same.

Would Trump's CFPB pick silence consumers? | American Banker (Debbie Goldstein)
At her confirmation hearing Thursday, Ms. Kraninger dodged simple questions and delivered vague statements that provided little to no insight into how she might run our nation's top consumer watchdog.

Dems want hearings on Trump's CFPB nominee put on hold | The Hill

See letter from 12 Senate Democrats.

As Senate Considers Kraninger, More Than 100 Groups Release Video Defending CFPB | U.S. PIRG
As the Senate Banking Committee begins a scheduled confirmation hearing for Consumer Financial Protection Bureau director nominee Kathy Kraninger, U.S. PIRG and 103 other groups representing consumers, small businesses, students, and workers, released an online video on Twitter and Facebook about the current state of the CFPB.

U.S. PIRG is a founding member of **Americans for Financial Reform,** the coalition that helped enact the Wall Street Reform and Consumer Protection Act that created the CFPB and other reforms and continues to defend them. The latest AFR poll (Jan 2018) shows strong bipartisan support for continued Wall Street oversight and a strong Consumer Bureau.

Trump nominee assailed at hearing as unfit to lead consumer bureau | Politico
Kathy Kraninger, President Donald Trump's pick to head the Consumer Financial Protection Bureau, faced withering criticism on Thursday from Democrats, who repeatedly charged that she was unqualified to lead the powerful agency.

See statements by Americans for Financial Reform, Allied Progress, Center for Responsible Lending, and Woodstock Institute.

Why do Republicans hate consumers? | Washington Post (Catherine Rampell)
The CFPB was set up after the 2008 financial crisis to "make consumer financial markets work for consumers, responsible providers, and the economy as a whole," as its website notes. In practice, this means three main things: helping consumers make informed decisions about complicated financial products; cracking down on scammers and cheats; and preventing the kinds of systemic financial failures that can result when consumers are hoodwinked en masse — as happened in the lead-up to the crisis.

Trump hit a home run with consumer watchdog director choice | The Hill (Steve McMillin & Duncan Campbell

Trump pick to head watchdog agency is who consumers need | The Hill (Beau Brunson)
Her experience demonstrates that she understands the fiscal discipline needed at an agency

that operates independently with minimal congressional accountability and oversight. Furthermore, her experience on the House and Senate Appropriations Committee indicates the importance the White House places on subjecting the BCFP to appropriations, which should have been the case from day one. In his endorsement of Kraninger, Mulvaney said, "I know that my efforts to rein in the bureaucracy at the Bureau of Consumer Financial Protection to make it more accountable, effective, and efficient will be continued under her able stewardship."

Who watches the 'watchdog?' It's time for accountability for the Bureau of Consumer Financial Protection | The Hill (Mike Enzi and David Perdue)

Wells Fargo should have seen add-on-product trouble coming | American Banker (Kevin Wack)
In July 2012, just six months after Richard Cordray's appointment as the nascent agency's director, the CFPB issued a compliance bulletin related to credit card add-on products, including debt protection and identity theft protection.

But Wells was apparently undeterred by the CFPB's warning. American Banker reported in 2013 that while American Express, Bank of America, JPMorgan Chase and Discover had all stopped online marketing of identity theft protection, Wells Fargo had not.

Wells Fargo's Latest Challenge: Refunds for Pet Insurance, Legal Services | Wall St. Journal
Wells Fargo & Co. is in the process of refunding tens of millions of dollars for products ranging from pet insurance to legal services added to hundreds of thousands of customers' accounts without their full understanding, according to people familiar with the matter. Known as add-on products, Wells Fargo for years charged monthly fees to customers for dozens of products they didn't understand or know how to use, the people said.

Spending Bill Amendment Would Close the Door on Postal Banking | Roll Call
Rep. Patrick T. McHenry is proposing an amendment that would bar the U.S. Postal Service from expanding its offering of financial services, now limited largely to money orders and international money transfers. The amendment from McHenry, R-N.C., who is chief deputy whip for the Republican majority, is the only amendment filed by a member of GOP leadership as of Friday, when 81 amendments had been filed with the Rules Committee to the financial services section...

The amendment would also bar it from launching pilot programs for banking services, including the Service Enhancement and Innovation Task Force created as part of a 2016 agreement with the agency's union, the American Postal Workers Union. The pilot program envisioned by the task force included considering modernization of the agency's money order business, expansion of its international money transfers business and the offering of gift cards.

The amendment quickly showed up on the radar of the Campaign for Postal Banking, whose members include progressive groups such as **Americans for Financial Reform**.

Bank Workers Rising | American Prospect (Harold Meyerson)
Last week, Los Angeles Mayor Eric Garcetti signed a city ordinance that sought to do something no other U.S.-based government had done before: Insulate bank employees—and through them, the bank's depositors—from their bank's high-pressure sales tactics. The ordinance stipulated that in order for the city to deposit its funds in a bank, that bank would have to produce documents demonstrating that it wasn't linking its

employees' pay, or continued employment, to the sale of products that its depositors might—or might not—want or need...

The [L.A.-based] workers who blew the whistle on Wells were among the nucleus of employees who formed the Committee for Better Banks (CBB)—an initiative of the Communications Workers of America (CWA). The project first took shape under the leadership of Larry Cohen, then the CWA's president, who did as much or more than any other U.S. union president to build strategic alliances with unions overseas. It became quickly apparent to Cohen that in most other countries (particularly in Europe and Latin America), bank employees were almost universally unionized. In the United States, by contrast, not only were bank workers not unionized at all, but the rate of unionization in the Finance-Insurance-Real Estate sector was the lowest of any sector of the American economy.

CFPB fines Alabama lender but suspends most of penalty | American Banker
The Consumer Financial Protection Bureau announced an enforcement action Thursday against an Alabama-based small-dollar lender and stipulated a fine of more than $1.5 million, but suspended most of the payment out of concern that the company could not pay the full amount.

CFPB Wants to Help Launch New Fintech Products | Wall St. Journal
Mick Mulvaney, the acting chief of the Consumer Financial Protection Bureau, spent the past eight months rolling back policies implemented by his Democratic predecessor. Now he wants to add his own mark by giving the agency a fresh mission promoting innovation in consumer finance.

Mr. Mulvaney in an interview said he expects the bureau's new innovation office to look closely at cryptocurrencies, other financial technologies based on blockchain, private currencies and microlending, or lending by individuals rather than institutions. The office also could help companies explore alternatives to traditional credit-scoring methods, such as considering rent and mobile-phone payments, consumer shopping behavior and social-media activity in credit decisions.

The Great Rebound | Collector Magazine
While there are many regulators that businesses in the accounts receivable management industry have to work with, the Bureau of Consumer Financial Protection has arguably been one of the most challenging. Additional oversight, rules, regulation by bulletin and regulation by enforcement resulted in increased costs for compliance, which reduced overall profitability.

However, there may be light at the end of the regulatory tunnel. With the appointment of Acting Director Mick Mulvaney at the bureau, we're seeing a shift from the strong-arm approach to a more reasonable methodology. Yes, while there will likely still be debt collection rulemaking from the bureau, many now believe that it will be approached using a more sensible process that will address much-needed updates to the Fair Debt Collection Practices Act. This approach will reduce uncertainty caused by a law that hasn't been updated in over 40 years.

Elevate Credit introduces a subprime credit card | American Banker
Elevate said in a press release that the card is currently undergoing pilot testing, and that a customer waiting list has been launched.

Elevate Credit was spun off from Think Finance, another company that specializes in subprime consumer credit, in 2014. Elevate held an initial public offering in April 2017.

An Important Number Is Going Away. Wall Street Isn't Prepared. | NY Times
In the world of finance, there is one number that arguably matters more than any other. You can find it in the small print on adjustable-rate mortgages and private student loans, it is the basis for enormous corporate loans, and it underpins nearly $200 trillion of derivatives contracts.

But it is on the way out, and Wall Street has not worked out how to replace it.

DERIVATIVES, COMMODITIES & THE CFTC

Fed chief casts doubt on benefits, safety of cryptocurrencies | The Hill
Federal Reserve Chairman Jerome Powell on Wednesday expressed doubts about the usefulness of cryptocurrency for anything other than obscuring illegal activity.

Powell told a House panel that virtual currencies such as bitcoin are too volatile to hold consistent value, pose serious risks to consumer safety, and inhibit crackdowns on illicit finance.

"Cryptocurrencies are great if you're trying to launder money or hide money, so we have to be very conscious of that," Powell said in testimony before the House Financial Services Committee.

Dem lawmaker calls for cryptocurrency probe after Mueller indictments | The Hill
A Democratic congressman is calling on the federal government to investigate the cryptocurrency industry out of concern that digital currencies helped enable Russian intelligence officials to interfere in the 2016 election.

In a letter to Treasury's Financial Crimes Enforcement Network (FinCEN), Rep. Emanuel Cleaver (D-Mo.) called on the agency to "initiate an investigation of the cryptocurrency industry and articulate further guidance to help prevent financial crimes" like those used in Russian hacking efforts.

INVESTOR PROTECTION, THE SEC, AND RETIREMENT SAVINGS

Free Trips Under Fire: SEC Wants Your Broker To Work For You | Wall St. Journal
The regulatory package comes after a federal court struck down tougher rules imposed by the Department of Labor, and the SEC's initiative is unlikely to be enacted anytime soon.

But the SEC's Mr. Clayton is adamant about the need for change. "What we're really trying to do here," he told me this week, "is bring the standard of conduct in line with what an investor would expect of a broker-dealer: that you've taken care in coming up with that recommendation and that you are not putting your interests ahead of the investor's."

Under the proposed rules, a broker providing an investment recommendation must disclose all fees and other facts that are material to the relationship. The broker must also understand the risks and rewards of each recommendation and determine that it is in the best interest of retail investors in general and the particular customer. Finally, the broker must disclose and mitigate — or eliminate — any significant conflicts of interest and must not put his or her own interest ahead of the investor's...

In a move that could upend the way many brokerages do business, the SEC is spotlighting the use of sales contests. In these competitions, brokers who hit quotas for selling specific investments or services can earn bonuses, prizes, or trips to resorts and the like.

Fidelity backs away from being 'point in time' fiduciary for 401(k) plans | Investment News
Fidelity Investments will no longer serve as a fiduciary when it helps employers select investments for their 401(k) plans, moving away from a policy the firm adopted last year in response to the Department of Labor's fiduciary rule.

Retirement Bills in Congress Could Alter 401(k) Plans | Wall St. Journal
The efforts start with a bipartisan Senate bill and House Republicans' plan to make retirement and savings a crucial part of their push for tax legislation this summer and fall. It's not clear which, if any, measures are likely to survive the legislative process, but the broad interest in encouraging savings gives lawmakers a chance at passing something this year.

Behind closed doors: The big problem with how the SEC is getting insights from investors | InvestmentNews (Mark Schoeff Jr.)
The SEC says that the meetings — which include a drop-by by SEC Chairman Jay Clayton and have occurred so far in Atlanta, Miami, Houston and Washington, with another session in Denver next week — are being held behind closed doors to promote candid conversation. Well, that particular discussion may be facilitated, but the larger debate about the advice proposal is undermined.

Instead of having a firsthand analysis of how investors are reacting, we have to rely on background information from the agency and published reports based on one or two investors who were at the event that a random reporter happened to track down. Neither provides a comprehensive read.

Wall Street's Dark Pools Get Transparency Makeover | Wall St. Journal
The Securities and Exchange Commission's regulation, passed Wednesday on a unanimous vote, builds on a series of enforcement actions that found some dark pools misled clients about how they worked, including special access given to high-speed traders.

Banks and brokers have paid more than $229 million in fines to the SEC and other regulators since 2011 for wrongdoing that involved dark pools, which are private trading platforms run by brokerage firms that don't disclose pretrade prices.

Keep Politics Out of the Boardroom | Wall St. Journal (Phil Gramm and Mike Solon)

MORTGAGES AND HOUSING

FHFA leadership structure is unconstitutional: Judges | American Banker
The U.S. Court of Appeals for the Fifth Circuit in Texas reversed the previous court's decision and agreed with the shareholders that the FHFA was "unconstitutionally insulated from executive control" since its single director — as opposed to a board or commission — cannot be fired by a sitting president without cause. If upheld, the decision could render the agency's actions void.

PRIVATE FUNDS

[Private Equity's Biggest Mystery Has a Simple Answer](#) | Bloomberg (Stephen Gandel)
Earlier this week, David Rubenstein, the co-chairman of private equity giant Carlyle Group Inc., said there are three great mysteries: What came before the Big Bang? Is there an afterlife? And why don't private equity stocks trade higher?

The line got a laugh. But, despite the delivery, Rubenstein was asking something that he and others in his industry think is a serious question. And while it may be hard for Rubenstein and other PE titans to see — in part because they are at the heart of the problem — the answer is not all that mysterious.

In 2015, eight executives at the four publicly traded private equity firms made a collective $1.9 billion. Shareholders in those same private equity firms lost a collective $13.7 billion. The next year, a similar group of executives made $1.1 billion, while shareholders got about half that, $573 million. Recently, private equity shareholders have done better. But it's still hard to call the split equitable. Eight top executives made just under $1.9 billion last year, including a whopping $786 million for Blackstone Group CEO Stephen Schwarzman. The firm's shareholders, all of them, made just $5 billion more than they would have if they had invested in the S&P 500 in the past year.

REGULATION IN GENERAL

[Europe's Google Decision Brings New Calls for U.S. Action](#) | Wall St. Journal
Europe's latest move to rein in Google puts pressure on U.S. regulators and lawmakers to curb the power of the Silicon Valley giant—a step they have thus far been reluctant to take.

No similar action appears on the horizon in the U.S., where Google and other top tech companies have benefited from the prevailing view that their business practices, on the whole, benefit consumers beyond any concerns they might raise. Their considerable political clout in Washington also has helped shield them from scrutiny.

But in recent months, various U.S. policy makers have voiced concerns that Google's practices are stifling competition and endangering the privacy of billions of users. These voices have helped put an assortment of potential policy measures against Google and other companies on the table.

[Why consumer privacy laws should be de facto across America](#) | The Hill (Jeremy Tillman)
Last month, California Gov. Jerry Brown rushed to approve a law that gives consumers more control and transparency into how their data is being tracked and shared by businesses that operate in the state.

The implications of this law will likely cross California borders, as any company that does business online in the United States almost certainly delivers their product or service to individuals in California, forcing them to comply with the law. As such, we can — and should

— expect additional state and/or federal legislatures to follow in California's footsteps and become more aggressive when it comes to consumer privacy.

STUDENT LOANS AND FOR-PROFIT SCHOOLS

Democrats Want IRS to Clarify Student Debt Relief Won't Be Taxed | Inside Higher Ed
Washington Senator Patty Murray and Oregon Senator Ron Wyden, both Democrats, asked the IRS and Treasury Department in a letter this week to clarify that student loan relief issued to former Corinthian Colleges students should not be taxed.

The Department of Education has issued loan forgiveness to thousands of borrowers who attended the now defunct for-profit college chain. An additional settlement between the Consumer Financial Protection Bureau and Aequitas Capital Management cleared the private student loan debt of former Corinthian students.

But data from CFPB showed 47,000 Corinthian borrowers in tax year 2017 received 1099-C forms, which are required to report canceled debt as taxable income.

Illinois activists protest student debt and demand Education Department forgive their loans | Think Progress
Students who attended predatory for-profit colleges protested in front of two Illinois for-profit colleges this week. Activists told ThinkProgress they are protesting to expose corruption at for-profit colleges and bring attention to the issue of rising student debt.

Facing lawsuits, Navient says it's an industry scapegoat | Washington Post
A Delaware student loan collection company is facing a string of lawsuits from regulators, but the CEO says Navient is a scapegoat for a credit industry with an image problem.

The News Journal reports that Navient CEO Jack Remondi says there's a perception that student debt is in crisis. Remondi says his company is being targeted because it's the most recognizable face in the industry.

In a recently filed lawsuit, California Attorney General Xavier Becerra claims Navient steered "vulnerable borrowers" toward expensive student loan repayment plans. Similar actions have been taken by regulators in Washington State, Illinois and Pennsylvania, as well as the federal Consumer Financial Protection Bureau.

Public Advocate Letitia James plans bill to warn veterans against college rip-offs | NY Daily News
New legislation will be introduced Wednesday that aims to protect city veterans from shady for-profit colleges, after an investigation found a scheme to defraud thousands of student vets.

Public Advocate Letitia James announced she would sponsor the bill, in response to an FBI probe that found a shady online school had ripped off student vets for more than $24 million in GI bill money.

SYSTEMIC RISK

What veterans of the last financial crisis have to say about the next one | Washington Post
Architects of the government's response to the last financial crisis worry the country is ill-equipped to handle another, fearing an "amnesia" has taken hold of policymakers, regulators and the public that could lead to the next panic.

Four former regulators and treasury secretaries, once prominent but now faded from public view, said in the past week they hoped to use the 10-year anniversary of the Great Recession to force a public debate about how to prevent another crisis from ravaging the economy, particularly by forcing regulators to remain vigilant and giving them flexibility to move swiftly.

Former U.S. Treasury secretaries Henry Paulson and Timothy Geithner and former Federal Reserve Chairman Ben S. Bernanke met with reporters last week to discuss a September summit they are hosting to review lessons learned — both good and bad — from the crisis.

CCAR 'apocalypse' leads to excess bank capital, says lobbyist | Risk.net
Greg Baer, chief executive of the newly launched Bank Policy Institute (BPI), told lawmakers at a House Financial Services Committee hearing that the Comprehensive Capital Analysis and Review (CCAR) programme's "mono-model" approach levies unnecessary capital charges on big banks… Banks' own internal stress tests, which look at multiple scenarios, are much better at predicting capital requirements, Baer said...

Marcus Stanley, policy director for the non-profit **Americans for Financial Reform**, also testified during the hearing. Stanley countered that stress tests should be unpredictable to be effective. Stanley said that while he agreed that stress tests should include a wide range of scenarios, the process should change from year to year as economic circumstances change. "The very fact that markets change so often, that you have to check multiple scenarios, to me means there should be an unpredictable element in stress tests – they should change. And if you had a stress test that was totally predictable, it wouldn't really be stressful and it wouldn't really be a test," he said.

Don't Re-Open the Wall Street Casino by Weakening the Volcker Rule | Better Markets

U.S. Regulators Support Removing Fed Oversight of Zions Bancorp | Wall St. Journal
Regional U.S. banks are moving closer to getting relief from the stricter oversight they have faced since the 2008 financial crisis.

The Financial Stability Oversight Council on Wednesday approved Zions Bancorp's plan to shed Federal Reserve oversight, accepting the bank's argument that it isn't "systemically important" to the U.S. financial system.

Fed Vice Chairman for Supervision Randal Quarles separately raised the possibility that about a dozen U.S.-based lenders with $100 billion to $250 billion in assets may no longer have to file expensive and time-consuming "living will" bankruptcy plans and may face looser liquidity requirements.

TAXATION

[The Trump tax scam had a very bad week](#) | MarketWatch (Allison Preiss)
The week started off with a report from two economists at the Federal Reserve Bank of San Francisco bursting the bubble of fanciful, overly optimistic predictions about the impact of the tax law on the economy. Confirming last year's analysis from the nonpartisan Joint Committee on Taxation, the economists forecast that the law will grow the economy "well below" 1% of gross domestic product, and even as little as 0%. A 0% boost to our GDP — for legislation that will cost nearly $2 trillion. It's a good thing we have no other pressing domestic priorities facing our country these days.

Midweek, we learned that Florida Republican Rep. Vern Buchanan, one of Congress's wealthiest individuals and a member of the tax-writing House Ways and Means Committee, didn't even wait for the tax proposal to clear the other chamber and make its way to the president's desk before he spent at least part of his big payoff.

His vote must have been burning a hole in his pocket, because according to Buchanan's own recent personal financial disclosure, he splashed out as much as $5 million on a new Ocean Alexander yacht on Nov. 16, 2017 — the exact same day he and 226 other Republicans voted for the tax bill.

And Buchanan wasn't alone in lining his pockets from the very law he enthusiastically supported: research from the Center for American Progress Action Fund illustrates exactly how many members of Congress may have gifted themselves tax cuts worth tens of thousands or even millions of dollars by voting for the proposal.

OTHER TOPICS

Stiglitz: Benefits of multiple layers of financial regulation so much higher than costs | MarketWatch
The U.S. needs multiple layers of regulation of the finance industry because the damage from malfunction is so much higher than the costs, a Nobel economics laureate said Monday.

Joseph Stiglitz, a professor at Columbia University, who was the Nobel laureate in economics in 2001, spoke at a talk on Monday with Damon Silvers, the director of policy and special counsel at the AFL-CIO, part of a day-long strategy session on "Bargaining for the Common Good in the World of Global Finance" held by the Friedrich-Ebert-Stiftung office in New York, a non-profit political German foundation.

Regulations "from below" could be beneficial while a comprehensive regulatory vision has to be "from the top," Stiglitz added.

Big Banks Reshape Lobbying Game | Wall St. Journal
Big banks are revamping their lobbying approach as Trump-appointed regulators set out to ease rules put in place after the financial crisis. On Monday, two trade groups representing some of the largest banks, including JPMorgan Chase & Co., Bank of America Corp. and Citigroup Inc., will join forces to seek regulatory relief for an industry that remains tainted by the 2008 crash and more recent sales-practice scandals at Wells Fargo & Co. The new Bank Policy Institute—merging the Clearing House and Financial Services Roundtable—will represent 48 of the largest banks, a group that notched a limited win in the banking bill

signed by President Donald Trump in May, which was more focused on regulatory relief for medium to small banks.

The IRS found a way to make 'dark money' spent on politics even darker | LA Times
Under a perverse interpretation of federal law, tax-exempt nonprofit organizations supposedly devoted to "social welfare" can spend large amounts of money to influence elections without publicly disclosing the identities of their donors. But instead of cracking down on the use of "dark money" for political purposes, the Internal Revenue Service has decided to stop requiring these groups to reveal even to the government the sources of their funding.

The river of dark money just got darker and wider | Washington Post
Perhaps it was too much to expect the IRS to be the lone government cop on this beat. But that should not mean giving up. Ideally, Congress ought to step in and clarify the law to require full disclosure for all money going into politics, including cash being pumped into the battle over a Supreme Court appointment. But the reality is that Congress benefits from the dark-money tide and has failed to act on bills that would boost transparency, such as the Disclose Act. Hidden caches of money are just the first half of corruption. The second half comes when politicians do the bidding of the secret fat cats and vested interests. Both are a cancer on democracy that ought to be excised.

I.R.S. Will No Longer Force Kochs and Other Groups to Disclose Donors | NY Times
The Trump administration will end a longstanding requirement that certain nonprofit organizations disclose the names of large donors to the Internal Revenue Service, a move that will allow some political groups to shield their sources of funding from government scrutiny.

The change, which has long been sought by conservatives and Republicans in Congress, will affect thousands of labor unions, social clubs and political groups as varied as arms of the AARP, the United States Chamber of Commerce, the National Rifle Association and Americans for Prosperity, which is funded partly by the billionaire brothers Charles and David Koch.

If Trump is itching for a fight, Sen. Warren is happy to provide it | Washington Post
Democratic Party leaders, and many of their biggest donors, have long viewed Warren with some concern as well, owing to her arguments for new economic regulation, bank breakups and a much larger social safety net. She served as both an ally and a thorn in the side of President Barack Obama during his first term, railing against Democratic reliance on bank executives to fill government posts, harshly criticizing the execution of the 2008 bank bailouts, and raising alarms over regulatory compromises.
Where Trump wants to cut regulations in the name of helping the "forgotten men and women of our country," she wants to build up federal rule books to give more protections to consumers. Where he targets undocumented immigrants as foes, she targets corporate lobbyists and bank executives who have disproportionate influence in Washington. Where he has signed tax cuts for corporations and wealthy individuals, she wants to increase the same to fund a broader social safety net.