AFR Americans for Financial Reform

This Week in Wall Street Reform | Apr 11 – 15, 2016

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CONSUMER FINANCE & THE CFPB

A Moral Case for Putting a Stop to Payday Lending Abuses
Valerie Jarrett, Cecilia Munioz & Jeffrey Zients, White House blog, 4/14/16
Providing stronger protections in areas such as payday lending are precisely why the President worked with Congress to create a new, independent agency focused solely on consumer protection as part of financial reform, and to ensure it had the authority to address abuses in this space. Last March, the Consumer Financial Protection Bureau (CFPB) took steps toward a rulemaking to curb abusive practices involving payday loans and other short-term lending.

Yet even as there is widespread agreement across a diverse array of faith communities that something needs to be done to address payday lending abuses, too often these reasonable efforts face stiff resistance from the special interests supported by the payday loan industry. So, today was an important reaffirmation that diverse religious leaders and thousands like them are making clear why the independent CFPB has such strong moral grounds for addressing abuses in payday lending. We are grateful to these religious leaders for their commitment to serve their communities and look forward to working with them in the days ahead.

White House, Faith Groups Push Payday Lending Rule
Yuka Hayashi, Wall St. Journal, 4/14/16

Why pastors oppose predatory lending
Linda Valdez, Arizona Daily Republic, 4/13/16

How a Texas Church Drove Out the Predatory Loan Industry
James Addis, ChristianityToday

Understanding the SAFE Act
Gynnie Robnett, The Hill, 4/12/16
Payday lenders may seem to be everywhere, but they were not always there. The first payday stores opened in the early 1990s – a byproduct of the same anything-goes deregulatory mania that led to a wave of booby-trapped mortgages and the financial and economic meltdown of 2008. …

Senator Jeff Merkley (D-Ore.), a longtime champion of consumer rights, has introduced legislation to address some of these evasive maneuvers. His Stopping Abuse and Fraud in Electronic Lending (SAFE) Act would make it easier to uphold the interest-rate caps and other measures taken by the states. Merkley's bill would also bolster the effectiveness of the Consumer Bureau's efforts to require payday-style consumer lenders to do what other lenders do: verify a borrower's ability to repay before a loan can be issued.

American Views on Payday Loans
Survey of 1,000 Christians in 30 states, LifeWay Research

[Are Payday Loans Really As Evil People Say]
Freakonomics Radio, 4/6/16

[CFPB Payday Lending Rule Does Nothing to Help Underserved]
Kevin B. Kimble, American Banker, 4/12/16

[Tracking the Payday-Loan Industry's Ties to Academic Research]
Christopher Werth, Freakonomics.com, 4/6/16

[Why Elizabeth Warren's Consumer Watchdog Could Be In Danger]
Daniel Marans, Huffington Post, 4/12/16
Federal judges were receptive on Tuesday to the idea that the Consumer Financial Protection Bureau is unconstitutional in its current form, suggesting they are likely to deal the agency its greatest legal setback yet.

Brian Marshall, policy counsel for Americans for Financial Reform, a progressive group supportive of the CFPB's arguments, contends that if PHH's concern is really that the president lacks sufficient authority over a federal agency, a multi-member structure should be even more problematic. "To get control of the Federal Trade Commission, a president would have to remove three commissioners — and that is virtually impossible," he said.

[PHH Case Poised to Test CFPB's Constitutionality]
Evan Weinberger, Law360, 4/11/16
The appeal from PHH Corp. to the D.C. Circuit originally centered on CFPB Director Richard Cordray's decision to dramatically hike a $6 million mortgage insurance kickback penalty issued by an administrative law judge against a company subsidiary, to the final, $109 million figure. But the judges hearing the case warned the bureau to prepare to answer questions at oral arguments Tuesday about language in the Dodd-Frank Act that says the president could remove the CFPB director only for cause, and about how the court should view an administrative agency led by a single director rather than the more typical commission structure…

There will be the central question of whether the U.S. Constitution allows Congress to put in restrictions on when the president can fire officials at an administrative agency… The U.S. Supreme Court addressed these issues in the 2010 Free Enterprise Fund v. Public Company Accounting Oversight Board decision, which affirmed a D.C. Circuit ruling that such protections were constitutional.

Judge Kavanaugh cast a dissenting vote in that case, stating that a president should not have to notify Congress as to why the director of an administrative agency is removed. "If the challenges were going to be taken seriously anywhere, it was probably going to be this panel," said Brian Simmonds Marshall, policy counsel at Americans for Financial Reform, which seeks tougher banking regulations. Removing that provision from the statute, should the D.C. Circuit elect to do so, could limit the CFPB's independence, as well as that of other administrative agencies for which statute requires a reason for the dismissal of officials, he said.

[An Easy Case: Why a Federal Appeals Court Should Reject a Constitutional Challenge to the CFPB]
Brian Simmonds-Marshall, RealBankReform Blog, 4/11/16
A decision striking down the CFPB's structure would not only break new constitutional ground, it would have wide-reaching practical consequences as well. Such a holding would mean that the structures of at least three other agencies are also unconstitutional because they are headed by a single official removable only for cause…

Unfortunately, PHH could hardly be more fortunate in the panel drawn to decide this issue.

[CFPB Gets Pummeled in Court Hearing on Constitutionality]
John Heltman, American Banker, 4/12/16

[Court Case Against the CFPB Hinges on These Four Issues]
Kate Berry, American Banker, 4/10/16

[D.C. Circuit sends ominous signal on CFPB constitutionality](#)

Alison Frankel, Reuters, 4/8/16

[T]hree judges on the District of Columbia U.S. Circuit Court of Appeals will hear arguments about whether the Consumer Financial Protection Bureau – a centerpiece of the 2010 Dodd-Frank Wall Street Reform Act – is unconstitutional. And based on an order issued this week by the three Republican appointees who will hear the case, CFPB lawyer Lawrence DeMille-Wagman had better be ready to defend his agency's legitimacy.

The CFPB's effectiveness, as detailed in the six-month report CFPB Director Richard Cordray released to Senate overseers on Wednesday, is matched only by conservatives' loathing for the agency. The business lobby would like nothing more than to hobble the CFPB as it pursues initiatives on restricting mandatory arbitration clauses and implementing payday lending rules.

[West Virginia Supreme Court upholds arbitration clause in Nationstar lawsuit](#)

Kyla Asbury, West Virginia Record, 4/11/16

[Chase Quietly Launches Its Online Small-Business Loan Platform](#)

Kevin Wack, American Banker, 4/12/16

Following months of behind-the-scenes work with OnDeck Capital, JPMorgan Chase has quietly started offering online loans to its existing small-business customers.

The New York megabank launched its digital lending platform on a limited basis last week, spokeswoman Mary Jane Rogers confirmed Monday.

[Marketplace Lending Grew by 700% in Four Years: Report](#)

Kevin Wack, American Banker, 4/8/16

[Time to Defend CFPB as Senate Banking Committee Aims Sights at It](#)

Ed Mierzwinski, Sensible Safeguards, 4/6/16

While the House Financial Services Committee has held numerous hearings and voted out numerous bills attacking the Consumer Financial Protection Bureau (CFPB) and consumer protection generally in this Congress, the Senate Banking Committee had largely been on hiatus for months while its chairman Richard Shelby (AL) campaigned to win his March primary. Now, he's back, and aiming his sights at the CFPB, too.

The Senate Banking Committee held a stacked hearing on "Assessing Consumer Regulations" yesterday (April 4) and will hear the "Semi-Annual Report of the Consumer Financial Protection Bureau (CFPB)" tomorrow morning (April 6). (Hearings are live on video; post-hearing video archives and written testimony of in-person witnesses are available at those links.) We submitted a statement to be entered into the hearing records, as did other Americans for Financial Reform (AFR) coalition members.

DODD-FRANK AND CONTINUED ATTACKS

[House Small Business chairman pushes Senate to take up regulatory bill](#)

Lydia Wheeler, The Hill, 4/14/16

House Small Business Committee Chairman Steve Chabot (R-Ohio) is urging the Senate to pass legislation he introduced last year that would give small businesses more input into the regulatory process and force agencies to more thoroughly analyze the effects of regulations. The legislative window, he said during a committee hearing Thursday, is closing on the Small Business Regulatory Flexibility Improvements Act. He said the bill, which passed the House last year, would strengthen the rule-making requirements of the Regulatory Flexibility Act of 1980.

[House passes bill to ramp up oversight of financial regulators](#)

Sylvan Lane, TheHill 4/14/16

The House passed a bill Thursday that would put two financial regulators under tighter congressional oversight. The bill would put the Financial Stability Oversight Council (FSOC) and the Treasury Department's Office of Financial Research (OFR) under direct congressional appropriations, giving Congress the ability to dictate how much money each regulator gets. The regulators are currently funded by fees charged to major American financial firms. Called the Financial Stability Council Reform Act, the bill passed along party lines 239-178 after clearing the House Financial Services Committee in November.

THE ELECTION AND WALL STREET

High-decibel talk about Wall Street in Dem Debate

Ben White, Politico Morning Money, 4/15/16

Clinton on breaking up banks: "I will appoint regulators tough enough ... to break up any bank that fails the test in Dodd-Frank. ... I have been standing up and saying continuously we have the law. We've got to execute under it. So you're right, I will move immediately to break up any financial institution, but I go further because I want the law to the extend to those that are part of the shadow banking industry…"

Sanders on Clinton "calling out" banks: "She called them out. My goodness, they must have been really crushed by this. And was that before or after you received huge sums of money by giving speaking engagements? They must have been very, very upset by what you did."

Fact Check: Clinton v. Sanders on Wall Street

Associated Press, 4/15/16

Wall Street Campaign Cash Has Flooded Into States That May Try To Close Wall Street's Big Tax Loophole

David Sirota, International Business Times, 4/12/16

Hundreds of protesters were led away from the steps of the United States Capitol on Monday, hands secured behind their backs with white plastic zip ties after they refused to stop their demonstration against the carried-interest tax loophole, which lets wealthy hedge fund managers pay lower tax rates on much of their income. While efforts to close the loophole have stalled in Congress, advocacy groups are now pressing legislators in seven states to end the same tax preference in their local tax codes — a move that would bring in nearly $7.5 billion a year in fresh tax revenue.

Proponents of the reform argue that state tax codes should not allow hedge fund managers and private equity executives to classify the "carried interest" earnings they make off of clients' investments as capital gains, which are taxed at lower rates. They say those earnings should instead be taxed as regular income.

The trouble for those advocates, however, is that — just as in Washington, D.C. — the finance and investment industry in those states is a major campaign contributor. According to state data compiled by the National Institute on Money in State Politics and reviewed by International Business Times, financial interests have flooded state politician campaign coffers with $158 million since 2010, including more than $24 million to the current governors of those states. That gubernatorial cash haul includes nearly $14 million from 10 of the highest-earning hedge fund managers.

The Wall Streeters fighting for Bernie Sanders in New York

Ed Pilkington, The Guardian, 4/14/16

Let's call the financier speaking here by the false name Frank. He is one of a rare and fascinating breed which Politico has dubbed Bankers for Bernie – high-profile Wall Street figures who, unlike most of their peers, are prepared to abandon pure self-interest and embrace the radical financial reforms espoused by Bernie Sanders.

Even Asher Edelman, one of the real-life templates for Gordon "greed is good" Gekko of the 1987 movie Wall Street, has joined the club, writing in the Guardiant hat only Sanders is "committed to honest solutions" to the crisis of income inequality.

The fact that Frank – a prominent New York hedge fund manager – is only willing to talk to the Guardian anonymously itself tells a story. It's not that he's ashamed about his backing for Bernie – quite the contrary: he has openly canvassed for Sanders in Iowa and frequently goes out leafleting for him in New York City. Rather, Frank's desire to keep his name out of the news was a reflection, he said, of the stultifying consensus within the New York financial world that Sanders' proposals to rein in Wall Street and prevent another Great Recession are dangerous and must be rebuffed. He looks at his fellow hedge fund folk, and thinks to himself that "they have made so much money, yet all they want to do is preserve what they've got. It's got so out of whack that virtually nobody is willing to think about the basic unfairness of income inequality or how to improve the economy."

Can Wall Street Learn to Love Cruz?

Ben White, Politico (paywalled)

"This Monday, assorted bankers, traders and Wall Street lawyers will gather inside the neo-Georgian walls of the Harvard Club in midtown Manhattan to write big checks to an unlikely recipient: Ted Cruz. ... Cruz, who attended Harvard Law School, isn't one to trade too heavily on old school ties and friendships at the likes of Goldman Sachs, where his wife works.

"On the campaign trail, the Texas senator has railed against Wall Street 'crony capitalism,' ripped giant banks as 'too big to fail' and wrapped himself in populist garb in his quest to take down Donald Trump. But now he's desperate: Cruz, who has already received $12 million in support from the financial industry, needs Wall Street money more than ever. ... Cruz ended February with $8 million in the bank. His campaign says he pulled in $12 million - only a modest haul, for this stage of the campaign - in March, but that money will evaporate quickly during the final sprint.

ENFORCEMENT

In Settlement's Fine Print, Goldman May Save $1 Billion

Nathaniel Popper, The New York Times, 4/11/16

State and federal officials said on Monday that Goldman Sachs would pay $5.1 billion to settle accusations of wrongdoing before the financial crisis.

But that is just on paper. Buried in the fine print are provisions that allow Goldman to pay hundreds of millions of dollars less — perhaps as much as $1 billion less — than that headline figure. And that is before the tax benefits of the deal are included.

EXECUTIVE PAY

BlackRock Wields Its Big Stick Like a Wet Noodle on C.E.O. Pay

Gretchen Morgenson, NY Times, 4/15/16

For several years, Laurence D. Fink, chairman and chief executive ofBlackRock, the money management giant, has been on a crusade, exhorting corporations to change their short-term ways. Executives should forgo tricks that reward short-term stock traders, he argues, like share buybacks purchased at high valuations. Instead, corporate managers should focus on creating value for long-term shareholders.

It's an admirable argument that has won Mr. Fink wise-man status on Wall Street and accolades in the press. Hillary Clinton has echoed his ideas on the campaign trail…
But if Mr. Fink really wants to get the attention of company executives on stock buybacks and other corporate governance issues, why doesn't BlackRock vote more often against C.E.O. pay packages of companies that play the short-term game?

Reining in CEO Pay: Market Discipline at the Top

Dean Baker, Huffington Post, 4/11/16

Ever wonder how top executives like former Republican presidential candidate Carly Fiorina can walk away with $100 million after nearly wrecking a major corporation? The answer is that the market doesn't work the same way at the top as it does for the rest of us. While most of us expect our pay to bear some relationship to our performance, at the top it's mostly a story of play money among friends.

Corporate executives get patted on the back when they announce plant closings, layoffs, and pay cuts. This is seen as good news for corporate profits and stock prices. But there is no one to applaud when the CEO gets their pay cut because they are not worth the money. That would be a decision of corporate boards, and these boards tend to have more loyalty to CEOs and top management than to the shareholders they ostensibly represent.

[Here's Why CEO Pay Matters]
Gina Belli, Payscale, 4/13/16

HEDGE FUNDS AND PRIVATE EQUITY FUNDS

[NYC Pension Votes to Scrap $1.5 Billion Hedge Fund Portfolio]
Martin Z. Braun, Bloomberg, 4/14/16
New York City's pension for civil employees voted to exit its $1.5 billion portfolio of hedge funds and shift the money to other assets, deciding that the loosely regulated investment pools didn't perform well enough to justify the high fees.

The action Thursday by the trustees of the $51 billion Employees Retirement System, known as NYCERS, may signal a growing willingness among public pensions to pull their money from the investment vehicles, whose highly paid managers have become a political lightning rod and have frequently failed to outperform. In September 2014, California's Public Employees' Retirement System, the largest U.S. pension, divested its $4 billion portfolio saying it cost too much and was too small to affect its overall returns.

NYCERS invested with hedge funds "with the belief that these would add value to the performance – both by increased returns and decreasing risk by providing downside protection," New York City Public Advocate Tish James said in a statement. "I have seen little evidence of either."

[NYC Public Employee Pension Fund May Pull Hedge-Fund Investments]
Mike Vilensky and Brody Mullins, The Wall Street Journal, 4/13/16
New York City's biggest public employee pension fund is poised to vote Thursday to begin pulling its investments from hedge funds, the latest move by a large pension plan to scrap an investment path that once promised big returns.

The move by the New York City Employees' Retirement System, which says it is the nation's largest pension fund for municipal employees, is expected to be approved in a majority vote by its trustees, according to people familiar with the internal discussions.

"Hedge funds are charging exorbitant fees for high-risk and opaque investments," said Letitia James, the city's public advocate, and one of the trustees of the pension fund. "As financial stewards of public employees' money, we must invest in responsible and secure assets," she said in a statement.

[Seattle City Employees axes BlackRock hedge fund-of-funds strategy]
Bob Kozlowski, PI Online, 4/15/16

[Legal Special: GPs and the unions]
Katherine Bucaccio, Private Equity International (paywalled), 4/1/16
The rocky relationship between private equity and unions is growing more complex as some labour groups scrutinise firms with tools born out of industry regulation, while others seek change from within as LPs.

When details of almost 1,900 flights taken on its company jets were published on a website in February, Leonard Green found itself the latest target in an increasingly elaborate struggle between unions and private equity. The report by Unite Here, a US union representing workers in the hospitality industry, suggested Leonard Green had been less than transparent with investors about the allocation of expenses associated with its use of private jets. Leonard Green is far from the only firm to come under fire from the union. Unite Here is infamous in the private equity and real estate industries for its fund manager list, which labels 18 managers as "irresponsible" and 13 as "responsible".

[A Puerto Rico rescue would be progress, not a bailout]
Editorial, Washington Post, 4/15/16

A [draft measure] proposes a mechanism by which the island could restructure its obligations in cooperation with creditors and, crucially, with diminished opportunities for a minority of "holdouts" to block agreements satisfactory to most. It would establish a financial control board similar to the one that helped bring the District back from financial near-death in the 1990s.

[Republicans writing Puerto Rico fix face attack ads]

Colin Wilhelm and Isaac Arnsdorf, Politico, 4/13/16

HIGH SPEED TRADING AND FINANCIAL TRANSACTION TAX

[A Wall Street tax is more popular and productive than some suggest]

Susan E. Harley, The Hill, 4/12/16

Naomi Jagoda did a disservice to your publication's readers by not giving equal weight to views supportive of taxing Wall Street trades ("Wall Street pushes back on trading tax," March 23). The article focused on the lobbying blitz by the Investment Company Institute (ICI) and other Wall Street interests and gave short shrift to proposals to reinstate the tax in the U.S.

In one example of the apparent tilt of the article, it characterized the financial transaction tax as having "one high-profile supporter" in presidential hopeful Bernie Sanders. That ignores the countless other top-name supporters of the tax, including U.S. Sen. Elizabeth Warren (D-Mass.), Al Gore, Bill Gates, John Bogle (founder of the Vanguard Group) and the Vatican. Moreover, U.S. Rep. Keith Ellison (D-Minn.) has long sponsored legislation to impose a tax on trading, but his legislation was not mentioned. Additionally, noting the idea "isn't new" — but omitting the fact that similar taxes exist in dozens of countries, including the Stamp Duty in the United Kingdom that has worked well for hundreds of years — gives far too much credence to ICI's negative opinion of the proposal.

MORTGAGES & HOUSING

[FHFA Should Have Oversight of Nonbank Mortgage Servicers: GAO]

Kate Berry, American Banker (paywalled), 4/11/16

Congress should consider giving direct authority over nonbank mortgage servicers to the Federal Housing Finance Agency, according to a report released Monday by the Government Accountability Office. The report was a response to a letter from Rep. Elijah Cummings, D-Md., and Sen. Elizabeth Warren, D-Mass., who asked in October for an investigation into the financial stability of nonbank servicers.

The GAO said there should be "parity" among financial regulators in the oversight of regulated entities and third parties they do business with. But the FHFA, which oversees Fannie Mae and Freddie Mac, "lacks statutory authority to examine" nonbank servicers, the report found. It has indirect oversight over third parties that service loans on behalf of Fannie and Freddie.

[Foreclosures, Bad Mortgages at Lowest Levels Since Late '07]

Joseph Kellard, American Banker (paywalled), 4/12/16

[HUD's 'Wall Street Giveaway' Draws Ire of Advocates]

Brian Honea, DSNews, 4/12/15

[Progressive groups target Julian Castro]

Edward-Isaac Dovere, Politico, 4/12/16

With Bernie Sanders' durability exciting progressives at their potential to shape the Democratic race, a coalition of groups—many of them backers of the Vermont senator—are launching a preemptive strike against Housing and Urban Development Secretary Julián Castro, aimed at disqualifying him from consideration to be Hillary Clinton's running mate.

Tuesday morning, the group will be emailing petitions to several million people attacking Castro on the relatively obscure issue of his handling of mortgage sales and launching a website with an unsubtle address: DontSellOurHomesToWallStreet.org. They're just as open with their political aims: to publicly discredit Castro as a progressive, latching onto the mortgage issue to seed enough suspicion to keep him off Clinton's short list.

"It's a situation where the Clinton campaign wants Castro to be a major asset to her chances of winning the White House, and unless he changes his position related to foreclosures and loans, he'll be a toxic asset to the Clinton campaign," said Matt Nelson, the managing director for Presente.org, the nation's largest Latino organizing group that focuses on social justice.

[FHFA Announces Principal Reduction Modification Program and Further Enhancements to NPL Sales Requirements]
Federal Housing Finance Agency, 4/14/16

POLITICAL INFLUENCE OF WALL STREET

[The new Gilded Age: Close to half of all super-PAC money comes from 50 donors]
Matea Gold and Anu Narayanswamy, Washington Post, 4/15/16
Michael Malbin, executive director of the nonpartisan Campaign Finance Institute, said the last time political wealth was so concentrated was in 1896, when corporations and banking moguls helped McKinley, the Republican candidate, outspend Democratic rival William Jennings Bryan.

[Lawmakers pushing financial regs in TTIP]
Victoria Guida, Politico, 4/15/16

RETIREMENT SECURITY & FIDUCIARY DUTY RULE

[Time to curb high fees on retirement accounts]
Reps. Bobby Scott, Maxine Waters and Elijah Cummings, CNBC.com, 3/14/16
In finalizing this rule, the Department pursued an undeniably thorough, thoughtful, and transparent process. It conducted hundreds of meetings and provided the American public nearly six months to weigh in on its draft proposal. We believe the Department's product reflects the thoughtful input received during the process.
The Department's proposal will help to ensure that hardworking Americans, who conscientiously set aside money for retirement throughout their entire careers, don't outlive what they saved. These Americans may not have much experience in managing investment portfolios, so they place their faith and their financial futures in the hands of their financial advisors.

We believe it is reasonable for these Americans to have complete confidence that their advisors will not prioritize higher compensation over their best interest. That is the promise of the fiduciary standard, and it is what the Department of Labor's "conflict of interest" rule delivers.

[Finally, fee relief is on the way for retirement investors]
Boston Globe Editorial Staff, 4/9/16
The announcement by the Labor Department Wednesday that it will require retirement-money professionals to act in the best interests of their clients prompted many people to ask the same question: You mean they weren't already? Well, they didn't have to, which led to a $17 billion problem that should have been solved long ago. That's how much the government estimates consumers have been paying annually in unwarranted commission fees that are buried in retirement accounts, virtually invisible to anyone who isn't a financial expert. The new regulations — scheduled to be phased in starting next April — mark a fundamental change in the way retirement advice is dispensed, and will benefit millions of Americans, who collectively hold about $14 trillion in retirement savings. The revisions also could have a broader impact by promoting more disclosure throughout the financial industry — in other words, greater transparency in a business known for being impenetrable. "Most people have no idea of what they're getting, and they certainly have no idea of what they're paying for," said Michael D. McNiven, managing director at Cumberland Advisors in Sarasota, Fla. McNiven likened the new rules' importance to the 1974 Employee Retirement Income Security Act, which set special protections for retirement funds.

[Morgan Stanley creating team to educate brokers on U.S. retirement advice rule]
Olivia Oran, Reuters, 4/14/16

How AARP Helped Obama Thwart Wall Street on Tougher Broker Rule
Robert Schmidt and Silla Brush, Bloomberg, 4/12/16

Labor Secretary Thomas Perez gets high marks for guiding the fiduciary rule through the regulatory shoals
But now supporters question whether he gave away too much
Mark Schoeff Jr., Investment News, 4/10/16

Financial planners foresee little disruption to practices from DOL fiduciary rule
Mark Schoeff Jr., Investment News, 4/11/16
Three investment advisers who charge fees, commissions and by the hour for their services don't anticipate big changes at their firms. This month that's expected to change after the U.S. Department of Labor issued a new rule – taking full effect in 2018 – that requires all financial advisers, who give retirement advice, to act in the best interest of their clients.

Feds to Investors: Put Customers First
Veronica Carter, Morrow County Sentinel (Tennessee), 4/14/16
Up until now, not all financial advisers were required to put their clients first, before any investment funds they represent.

Jim Lardner, a spokesman for **Americans for Financial Reform**, explains the problem. "Brokers, insurance companies, sales people and others can take advantage of loopholes and have taken advantage of loopholes, to promote high-commissioned investment products that do very well for them, but are not so good for the investor," he states.

FINRA's Ketchum Praises Final DOL Fiduciary Rule—Sort Of
ThinkAdvisor, 4/15/16

Financial Planning Coalition 'Applauds' DOL Fiduciary Rule
Think Advisor (paywalled), 4/11/16

Hillary Clinton Responds to the Fiduciary Reg
By B. Peter Wonzer , 401(k) Wire (paywalled)

Lawsuit challenging DOL rule change is imminent
InvestmentNews staff, Podcast, 4/13/16

A veteran of securities law killed his weekend reading all 1,000 pages of the DOL rule -- and has a takeaway to share
Irwin Stein, RiaBiz, 4/14/15

STUDENT LOANS & FOR-PROFIT EDUCATION

Million Student March for Debt Reduction. Politicians Better Have Some Solutions.
Roger Hickey, Mary Green Swig, and Steven Swig, Huffington Post, 4/11/16
A new wave of activism against student debt is on the move again this week. The students taking the lead represent the advance guard of an even more massive army which is mobilizing around the idea that higher education should be an investment we make as a society. And that new movement is warning that the $1.3 trillion in student debt is not only burdening debtors, it is also a serious drag on our struggling economic system.

Last November, demonstrations erupted on over 125 campuses, as the "Million Student March" surprised the news media with an impressive, nationwide show of force. Today's young people are refusing to accept a status quo that loads them up with student loans in order to pay soaring college tuition costs, only to confront them with a terrible job market that offers low wage jobs and long term debt peonage, at best.

Consumer Financial Protection Bureau Cracks Down on Phony Student Loan Assistance Scams
Sally Greenberg, CSS Blog, 4/12/16

SYSTEMIC RISK

'Living Wills' of 5 Banks Fail to Pass Muster
Peter Eavis, NY Times, 4/13/16
Five giant banks — including JPMorgan Chase and Bank of America — failed to fulfill a crucial regulatory requirement that Congress introduced after the 2008 financial crisis to help make large financial institutions less of a threat to the wider economy, federal banking regulators said on Wednesday.

Congress demanded that big banks regularly provide regulators with careful plans, also known as living wills, for how they would enter bankruptcy in an orderly fashion.

Messing With Minds of Bankers Is Good
Peter Eavis, NY Times, 4/13/16
The regulators deliberately did not communicate the exact things the banks needed to do for their plans to pass muster. In this way, they kept them on their toes — and treating powerful banks this way may end up playing a surprisingly important role in keeping the financial regulation effective over time.

Regulators Set to Reject Some Big Banks' 'Living Wills'
Ryan Tracy, Wall St. Journal, 4/12/16

Banks Still Too Big to Regulate
Editorial Board, NY Times, 4/14/16

Big Banks still too big to fail
Zachary Warmbrodt, Politico, 4/13/16

Large Banks and Small Banks Are Allies, Not Enemies
Jamie Dimon, Wall St. Journal, 4/6/16
There is a powerful temptation in the current economic climate to frame issues as simple stories of big versus small or Main Street versus Wall Street. But the financial-services industry does not conform to simple narratives. It is a complex ecosystem, because there is no other way to effectively serve America's vast array of customers and clients. A healthy banking system depends on institutions of all sizes to drive innovation, build and support the financial infrastructure, and provide the essential services that allow the U.S. economy to thrive.

The Big Banks Are More Equal Than Others
Camden Fine, Letter to the Wall St. Journal, 4/13/16
Community banks are critical of the largest financial firms, not merely due to their size but because concentrating most of the industry's assets in a handful of banks puts the entire system at risk. The 2008 crisis showed that the largest banks are powerful enough to bring down the financial system, prompt a multitrillion-dollar taxpayer backstop and cause massive economic disruption which exacerbated banking industry consolidation. This isn't a question of large and small. It's a fundamental question of concentration, risk and moral hazard.

GAO: Regulators should make 'living will' criteria public
Peter Schroeder, The Hill, 4/12/

Citigroup, Wells Fargo Swap Bad-Boy Role
Christina Rexrode, Ryan Tracy, and Emily Glazer, Wall St. Journal, 4/13/16

No, Obama Didn't Kill Too Big To Fail
Shahien Nasiripour, Huffington Post, 4/13/16

Watchdogs praise Fed's 'living wills' decision as Wall Street fumes
Sylvan Lane, The Hill, 4/13/15

For a Generalist, 'Too Big to Fail' May Be Too Tricky to Judge

Andrew Ross Sorkin, Dealbook, 4/11/16

About two years ago, I was speaking with an executive at MetLife who floated the idea that the company should sue the government to overturn its designation as a firm that was too big to fail. The company believed that it was being unfairly labeled, and that the regulations that came with the designation were hindering its business.

My initial reaction, I distinctly remember, was to say: "That's a terribly risky idea. The government always wins."

Boy was I wrong… A judge determined that the government's process for designating MetLife a systemically important institution was not just "fatally flawed," but seemingly purposely so. "Every possible effect of MetLife's imminent insolvency was summarily deemed grave enough to damage the economy," Judge Rosemary M. Collyer wrote in her opinion.

Snoopy the Destroyer

Paul Krugman, NY Times, 4/11/16

Has Snoopy just doomed us to another severe financial crisis? Unfortunately, that's a real possibility, thanks to a bad judicial ruling that threatens a key part of financial reform.

Some background: When catastrophe struck the troubled U.S. financial system in September 2008, the proximate cause was the looming collapse of three companies — none of which were banks in the normal sense of the word, that is, institutions that take deposits and lend them out. One of them was, of course, Lehman Brothers; the other two were The Reserve, a money-market fund, and American International Group, or A.I.G, an insurance company.

See AFR statement: Five Bank Resolution Plans Found "Not Credible"

OTHER TOPICS

Panama Papers expose regulation farce

David Cay Johnston, USA Today, 4/15/16

The Panama Papers show that billions of illicit dollars secretly flow through some of the largest banks licensed in America. But how can that be, considering all the regulations that banks complain are an excessive burden on them? The answer is that Congress has mastered the political art of erecting Potemkin villages that create the appearance of regulation, especially when it comes to large global banks and other international financial institutions.

Unintended Consequences of the Panama Papers

Mohamed A. El-Erian, BloombergView, 4/11/16

The revelations about offshore accounts that came to light in the so-called Panama Papers will reinvigorate government efforts to rein in not just tax evasion, which is illegal, but tax avoidance, too.

They will also add to popular frustration that will challenge the authority of some government officials. The uproar will bring about enhanced enforcement measures. Yet there also will be unintended consequences that will further erode the credibility and effectiveness of the political establishment, including its ability to govern from the center, which is already being tested.

In the wake of the global financial crisis, and given the alarming surge in wealth inequality, the governed will prove far less accepting of the legal distinction between tax evasion and tax avoidance. Both are now viewed not just as "tax dodges," but also as the unfair perks of the better-off and more-connected members of society in many countries.

US corporations have $1.4tn hidden in tax havens, claims Oxfam report

Bob Davies, The Guardian, 4/15/16

Overall, the use of tax havens allowed the US firms to reduce their effective tax rate on $4tn of profits from the US headline rate of 35% to an average of 26.5% between 2008 and 2014.

Deutsche Bank Freezes North Carolina Expansion, in Protest of Bias Law

Peter Eavis, NY Times, 4/12/16

Deutsche Bank, the German financial giant that has a significant business in the United States, said on Tuesday that it would freeze its plans to add jobs in North Carolina, a response to the passage last month of a state law that, among other things, eliminates antidiscrimination protections based on sexual orientation.