THIS WEEK IN WALL STREET REFORM

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CFPB and Consumer Issues

Consumer Issues

Richard Cordray: CFPB helping fix mortgage industry
Richard Cordray (Politico op-ed)
February 12, 2012

"When I was a state and local treasurer in Ohio, I saw the housing crisis unfold in slow motion. Brokers steered consumers into high-priced mortgages to earn higher fees. First-time homebuyers signed up for balloon loans — not understanding the risks. And unscrupulous operators looking to make fast cash crowded in, stealing market share from honest, responsible lenders that still cared about a borrower's ability to repay. It was the wild West of lending. Few people realized how dangerous or widespread the problem was. Neither did we, though we could plainly see that something was very wrong. We all know how it ended. And we all recognize now that a lack of effective federal government oversight contributed to the problem. No single federal government agency was focused on viewing the markets for financial products and services from the perspective of the consumer. That was a tragic error." Click here for more.

CFPB outlines plans for mortgage servicers
Ylan Q. Mui (Washington Post)
February 13, 2012

*"The government's new consumer watchdog on Monday outlined the first steps of its plans to regulate mortgage servicers, which have come under fire for fraudulent foreclosure practices. The Consumer Financial Protection Bureau will revamp the billing statements sent to homeowners and the disclosures required for some complicated mortgages. It also is drafting new rules to prevent servicers from improperly charging consumers for homeowner's insurance. The massive financial reform legislation passed in 2010 that established the CFPB also required it to take steps to retool the mortgage servicing industry. The plans outlined Monday will apply not only to servicers operated by banks but also to those run by other financial institutions that were previously not subject to federal supervision. …Alys Cohen, staff attorney for the **National Consumer Law Center**, an advocacy group, said the moves were a strong first step. Eventually, she said, she hopes the CFPB will require nonbank servicers to determine whether homeowners are eligible for a loan modification before moving to foreclosure. The settlement with bank servicers prohibits the firms moving forward on a loan modification and a foreclosure at the same time. 'This is a crucial moment and we hope they can step in more fully,' Cohen said." Click here for more.*

Click here to view the CFPB's official press release.

Republicans: CFPB's funding 'recipe for disaster'
Ronald D. Orol, MarketWatch
February 15, 2012

"Republicans charged Wednesday that a new consumer-mortgage and credit-product watchdog bureau is unaccountable and a 'recipe for disaster' because it is funded without the control of the congressional-appropriations process. 'We have a rogue director in charge of a runaway budget for an agency whose mission is still unclear. This is a recipe for disaster that will only hurt our economy,' said Rep. Francisco Canseco, a Republican from Texas, at a hearing of the House Financial Services Committee. … Rep. Keith Ellison, a Democrat from Minnesota, took issue with Canseco's assertion that the bureau is a recipe for disaster. Ellison said the CFPB is necessary to avoid the situation that contributed to the financial crisis where citizens were 'lied to and bilked into subprime predatory mortgages.'" Click here for more.

Click here to read Director Cordray's testimony from the hearing entitled "Budget Hearing—Consumer Financial Protection Bureau". **Click here** to view Rep. Ellison's opening statement - worth watching.

Click here to view AFR's letter to members of the House Financial Services Subcommittee on Financial Institutions and Consumer Credit asking that they reject efforts to cripple the CFPB.

Gary Rivlin: 'Unaccountable' CFPB Makes 14 Appearances Before Congress in a Year
Gary Rivlin (The Daily Beast)
February 15, 2012

"Mitt Romney called it 'the most powerful and unaccountable bureaucracy in the history of our nation.' Senate Republican leader Mitch McConnell said more or less the same after President Obama, at the start of the year, appointed Richard Cordray as the head of the new Consumer Financial Protection Bureau. This new agency created by Dodd-Frank, McConnell offered, 'is poised to be one of the least accountable and most powerful agencies in Washington.' Richard Shelby, the ranking Republican on the Senate Banking committee complained, 'There's no oversight, there's no accountability.' And yet for an agency that supposedly is answerable to no one, its people sure do testify a lot before Congress. The CFPB's doors have been open for all of six months but already its people have been hauled before the House Oversight and Government Reform committee no less than three times. And when on Wednesday morning agency head Richard Cordray takes his seat before the House Committee on Financial Services, it will mark the 14th time an agency representative—Cordray, agency architect Elizabeth Warren (who recruited Cordray to the CFPB), or one of their minions –has appeared before Congress since March." Click here for more.

Consumer Bureau to Supervise Debt Collectors, Credit Bureaus
Carter Dougherty (Bloomberg)
February 16, 2012

"The Consumer Financial Protection Bureau proposed a regulation that would let it examine the books of debt collectors and consumer reporting businesses as part of its program to supervise non-bank financial companies. 'Our proposed rule would mean that those debt collectors and credit reporting agencies that qualify as larger participants are subject to the same supervision process that we apply to the banks,' the bureau's director, Richard Cordray, said in an e-mailed statement today. The regulation, which must be finalized by July 21, would bring credit bureaus such as Experian Plc, Equifax Inc. and TransUnion Corp. under federal supervision for the first time. It would also extend to Fair Isaac Corp., the company that developed and maintains the algorithm used to calculate consumers' credit ratings, known as FICO scores. The proposal would cover, also for the first time at the federal level, debt collectors such as Asset Acceptance Capital Corp., Portfolio Recovery Associates Inc. and Encore Capital Group Inc." Click here for more.

Click here to view the CFPB's press release. **Click here** to view the press statement from U.S. PIRG.

Consumer Bureau Already Overreaching, Critics Say
Catherine Hollander (National Journal – subscription required)
February 16, 2012

"Even in its infancy, the Consumer Financial Protection Bureau is facing scrutiny for every move it makes. The response on Thursday to a proposed rule first mentioned several months ago revealed just how deep concerns over the agency and its intentions will go. The rule would place large debt collectors and consumer-reporting agencies under CFPB supervision. Under the 2010 Dodd-Frank financial-reform law, which created the agency, the CFPB can supervise nonbank entities in certain markets as well as those it defines as "larger participants" in nonbank markets for consumer financial products or services. Thursday's rule is its first attempt to define those. "The debt-collection industry and the credit-reporting industry are two of the largest industries that impact consumers outside of the banking industry," said Lauren Saunders, managing attorney at the ***National Consumer Law Center.*** *'So it's no surprise that they would be the first places that the CFPB would start in terms of defining the nonbanks that are not already clearly covered.' It wasn't a surprise either that the agency exempted debt collectors with less than $10 million in annual receipts and reporting agencies with less than $7 million. The bureau's first director, Richard Cordray, took the reins last month, allowing the CFPB to assume its full authorities for the first time. And Cordray has said publicly that 'small businesses' won't be subject to CFPB supervision. But concerns over the proposed rule were far-ranging." Click here for more.*

The Virtual Gets Physical: PayPal Rolls Out its Prepaid Debit Card
Willy Staley (MyBankTracker)
February 15, 2012

"PayPal, the payments service that is nearly ubiquitous on the Internet, has just launched its first real world, physical, plastic card — and it's not a credit card. PayPal, in a partnership with NetSpend Corp. and

MasterCard, opted instead to go the prepaid debit route. Now, those with an existing PayPal account can get a card and spend their eBay-earned money anywhere MasterCard is accepted, or they may take money out of ATMs. It's an interesting way to integrate an online payments system with brick-and-mortar retail. As always with prepaid products, there are bonus features to entice and fees to discourage adoption. The PayPal card has plenty of both." *[Click here for more.]*

Green America: Break Up With Your Mega-Bank Campaign
Green America
February 14, 2012

"Green America's Break Up With Your Mega-Bank Campaign is helping consumers and investors create and strengthen healthy communities in the U.S. and abroad. As a growing number of people move away from mega-banks and invest in community investing institutions instead, they will help create jobs, housing, and social services in communities that need them most." *[Click here for more.]*

Richard Cordray: Making a difference in the lives of immigrants and others who send money abroad
Richard Cordray (CFPB's blog)
February 14, 2012

"Over my years of public service, I've met a lot of hard-working people who regularly send money transfers, or remittances, to family members and others abroad. Remittances from the U.S. to other parts of the world total in the tens of billions of dollars each year. Remittance senders are a diverse group from every income bracket. We know that some remittance senders work in the lowest paying jobs for the longest hours. For them, every dollar counts; for their families abroad, every one of these dollars has even more significance. Remittance senders also include consumers paying bills abroad, and mothers and fathers sending funds to their children studying abroad or family members on travel. Remittance senders have not always been able to get full information about their transactions, including how much money will be received on the other end. If an error was made, there was uncertainty for consumers about how the error would be resolved, if at all. There have been limited federal consumer protections for remittance senders. With direction from Congress through the Dodd-Frank Act, the CFPB has now changed that." *[Click here for more.]*

[Click here] to view AFR's press statement on the CFPB's final rules on remittances.

Excerpt:

> *"People in the US send more than $400 billion in remittances each year, hard earned dollars that are crucial for their families overseas. We applaud the CFPB for a rule that will provide clarity and confidence for consumers. This rule lets people compare prices and shop for the best service, and defend remittance senders' rights if companies do not fulfill their obligations or if money is not delivered as promised."*

Be The Bank to Set the Customer Loyalty Standard
Gregg Poryzees (American Banker – subscription required)
February 9, 2012

"President Obama's January 4th recess appointment of Richard Cordray as head of the director of the Consumer Financial Protection Bureau has threatened to set-off a contentious legal challenge in an already polarized Congress. Although Senate Republicans filibustered in July to block Cordray's nomination, the president's recess nomination fills-in the critical missing piece of the legislative puzzle first crafted by current Senate hopeful, Elizabeth Warren. Now that a director is in place, the bureau can more seriously exercise its power to level the playing field trodden by Wall Street and the American consumer. This past July, days after the CFPB was officially put into motion, my firm surveyed 1,005 consumers about their opinions of the CFPB. The telephone study differed from much of the existing research on the topic by also explaining the possible drawbacks of the CFPB's reform package before soliciting respondents' opinions. The survey paints a picture of relative wide support for the bureau. In all, 43 percent of Americans agree strongly that consumers need an agency such as the CFPB to oversee the practices of banks and other financial institutions with 39 percent agreeing moderately. Further, about two thirds of Americans feel that planned financial reform would more likely help rather than hurt the economy and nearly the same proportion feel it would also benefit their own financial health. In terms of priorities, consumers by a wide margin (47 percent) believe that reform of the mortgage industry should be the bureau's first order of business with credit card reform (35 percent) and

checking overdraft reform (12 percent) named as priorities two and three. …Gregg Poryzees is a VP consultant of GfK's North America custom research division." *Click here for more.*

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Volcker Rule

AFR Comment Letter: Business as Usual is Unacceptable – Implement the Volcker Rule

Click here *the comment letter from AFR, AFL-CIO and U.S. PIRG regarding the implementation of the Volcker Rule.*

Click here for replay instructions of a conference call Americans for Financial Reform, Public Citizen, and Occupy the SEC hosted with reporters and bloggers Tuesday, February 14th to discuss the importance of the "Volcker Rule" and calling on the regulators to draft an effective final rule, and to resist industry's efforts to defend a status quo that serves Wall Street special interests and puts the public at risk.

Click here to view the comment letter from Better Markets and **click here** to view the comment letter from Occupy the SEC.

Paul Volcker: Foreign critics should not worry about 'my' rule
Paul Volcker (FT – registration required)
February 13, 2012

"I confess total surprise about the complaints by some European and other foreign officials about the restrictions on proprietary trading by American banks embedded in the Dodd-Frank Act – now dubbed the 'Volcker' Rule. It made me think – think all the way back to my years in the US Treasury and Federal Reserve, when the Glass-Steagall Act was in full force. The practical effect was to ban all securities trading by US banks – not just 'proprietary' trading, but also 'market making' and 'underwriting' (except in US government and certain municipal securities). I do not recall – and I am morally certain it never happened – receiving a single complaint that US law was discriminatory, that it damaged other sovereign debt markets or that it limited the ability of foreign governments to access capital markets." *Click here for more.*

Senator Jeff Merkley: We Need A Strong Volcker Rule
Senator Jeff Merkley (Huffington Post)
February 14, 2012

"Three years ago we experienced the greatest financial implosion since 1929. High stakes gambling and risky bets gone bad on Wall Street left our financial system near collapse and our economy in shambles. This crisis had many causes--all man-made. And it affected every last one of us, not just the gamblers on Wall Street: $17 trillion in lost wealth, continued high unemployment nationwide, and one in four of America's mortgages still underwater, three years after the crisis. The Volcker Rule, as embodied in Merkley-Levin provisions of the Dodd-Frank Act, is a critical part of the effort to put in place financial rules of the road that will prevent another crisis like the one we experienced in 2008." *Click here for more.*

Click here to view the Volcker Rule comment letter from Senators Merkley and Levin.

AFR on Volcker: Not Tough Enough
Ben White (Politico's Morning Money)
February 14, 2012

"Americans for Financial Reform letter on the rule: 'There are significant positive elements in this proposed rule. But it still falls well short of fully implementing the statute. It is clear from both the legislative history and the text of the statute that in passing the Volcker Rule Congress sought fundamental change in the American financial system by restoring basic firewalls between the banking system and the capital markets. 'In the proposed rule, the regulators have not placed the statutorily required limitations on permitted capital market activities. Instead, they have gone to some effort to preserve business as usual in important areas. This includes practices at the center of the financial crisis, such as dealing in illiquid and customized products for which no market exists and bank participation in securitizations.' Full letter: http://bit.ly/yK2Df6"

Industry Opponents Slam Volcker Rule as Volcker Defends It
Joyce Hanson (AdvisorOne)
February 14, 2012

"The controversial Volcker rule that regulates proprietary trading came in for a final round of comment as frustrated bankers, anti-Wall Street activists and Paul Volcker himself flooded government regulators with last-minute statements before the deadline Monday at midnight. The crushing volume of the statements, at nearly 15,000 as of Tuesday morning [on the Securities and Exchange Commission's comments page](), may have come as a surprise, though the passionate commentary did not, considering that the Volcker rule has drawn more heated debate than just about any other element in the Dodd-Frank financial reform act. … Backing up Volcker were a number of Democrat senators as well as a coalition group comprising ***[Americans for Financial Reform]()****,* ***Public Citizen****, and* ***Occupy the SEC****, a sub-group associated with New York's Occupy Wall Street movement. Wrote Occupy the SEC in a 325-page letter: 'Free from the enforced separation between commercial and investment banking, as originally required by the Glass-Steagall Act, banks now prefer to engage in self-interested proprietary trading rather than pursuing traditional banking activities that actually promote true 'liquidity' across markets. Liquidity in opaque financial instruments may have increased in recent years, but real liquidity, which benefits consumers, investors, small business owners, and homeowners, has not followed suit.'" [Click here for more.]()*

14,479 letters supporting the Volcker Rule
Suzy Khimm (Washington Post)
February 15, 2012

"Wall Street flooded the government with criticism of the Volcker Rule this week, as the period for pubic feedback on the regulation-in-progress came to a [close](). The SEC received 241 detailed, unique comment [letters]() on the regulation, mostly from financial firms that have criticized the law. Industry group representatives have also held the bulk of the face-to-face meetings that lobbyists and other stakeholders have had with federal regulators. But they aren't the only ones who have weighed in. The Securities and Exchange Commission also [received]() 14,479 generic form letters in support of a strong version of the Volcker Rule, which prohibits speculative trading by banks for their own benefit. This public support for Volcker is the outgrowth of a letter-writing campaign by ***Americans for Financial Reform****,* ***Public Citizen****, and other advocacy groups that have lobbied to defend and strengthen Dodd-Frank. Since Dodd-Frank was passed, regulators have invited the public to weigh in on the new rules before turning the blueprints into final law. In contrast to the technical, economic, and legal arguments of most of the comment letters, the pro-Volcker form letters cast the importance of strong regulation in personal terms. "I'm writing in support of a strong Volcker Rule. My family and I were affected by the economic collapse of 2008, and we don't want it to happen again," says one [version]() of the letter. …The SEC doesn't post all 14,479 letters or their authors on the agency's Web site, but Americans for Financial Reform and Public Citizen say they're the direct outgrowth of an appeal to their supporters, which they posted online as well. "These letters came from our e-alerts to activists. People were compelled to speak out on the 'Volcker Rule' because it is an important regulation that we need to get right. This is about empowering our citizens to take control of their government," says John Carey, an* ***AFR*** *spokesman.* ***Public Citizen*** *also believes that "thousands" of their members have submitted comments on the Volcker Rule, according to Bart Naylor, a financial policy advocate for the group. The Occupy Wall Street movement has weighed in on Volcker as well, submitted a detailed 325-page comment letter that Felix Salmon analyzes [here](). [Click here for more.]()*

Comments Flood In on Volcker Rule
Victoria McGrane (WSJ – subscription required)
February 15, 2012

"The so-called Volcker Rule has broken the record for attracting the most comment letters submitted on any Dodd-Frank proposal. Regulators have received a whopping 17,000-plus comments on the proposal, a Federal Reserve spokeswoman said. And some poor junior-level staffers are still counting them. The rule restricts U.S. banks from making bets with their own money. The vast majority of the letters– more than 16,500 by the Fed's count — are form letters submitted by individuals urging regulators to stand firm against financial industry attempts to water down the rule, which restricts U.S. banks from making bets with their own money. The regulators aren't posting all the form letters, but the [Fed and others have posted examples](). Behind this deluge is a partnership of two consumer advocacy groups that have been active in pushing back against the banks during the Dodd-Frank rule-writing process. ***Public Citizen*** *and* ***Americans for Financial Reform*** *used email lists and social media such as Twitter and Facebook to recruit members and others to*

submit comments on the Volcker Rule. ***Americans for Financial Reform****, for instance, tells visitors to its website to 'Tell the Financial Regulators: Don't Let Big Banks Make Taxpayer-Backed Bets.' That links to a longer article that describes the Volcker Rule as a way to prevent taxpayers from having to bail out financial firms who lose those risky bets, and it provides instructions on how to email in a comment, complete with text they can use or edit to make more personal. Bart Naylor of* ***Public Citizen*** *said that by their internal count their members sent in more than 2,300 'tailored' comments and a total of 15,700 letters overall." Click here for more.*

The Volcker Rule's Unusual Critics
Ben Protess (DealBook/NYT)
February 15, 2012

"What does Goldman Sachs have in common with Red Lobster and Macy's? They all loathe the Volcker Rule. While Wall Street is the chief critic of the rule, which bars banks from trading with their own money, the financial industry is finding sympathy from some unlikely quarters. A patchwork of nearly 30 companies — from industries as disparate as retail, energy and medical research — has weighed in with their own anti-Volcker Rule sentiments. The companies, organized by the United States Chamber of Commerce, sent a letter to regulators on Tuesday that outlined their objections to a draft proposal of the rule. Goldman this week sent two letters to regulators. At the root of their disdain is fear. Adopting one of Wall Street's central talking points, Corporate America is worried that the rule will suck liquidity out of the financial system, which provides financing to companies big and small. … An array of supporters of the proposed rule, including Mr. Volcker himself, pushed back against the escalating rhetoric. 'This criticism is deeply misguided,' ***Americans for Financial Reform****, a nonprofit group that favors Wall Street regulation, said in a comment letter. The group said that too much of a good thing, or 'excessive market liquidity,' drove the financial system to the brink of collapse in 2008." Click here for more.*

Felix Salmon: Occupy's amazing Volcker Rule letter
Felix Salmon (Reuters)
February 14, 2012

"One of the saddest aspects of the financialization of the US economy is the way in which America's best and brightest found themselves working on Wall Street, rather than in jobs which improved the state of the world. Proof of this comes from the absolutely astonishing 325-page comment letter on the Volcker Rule which has been put together by ***Occupy the SEC****; it's pretty clear, from reading the letter, that the people who wrote it are whip-smart and extremely talented. Occupy the SEC is the wonky finreg arm of Occupy Wall Street, and its main authors are worth naming and celebrating: Akshat Tewary, Alexis Goldstein, Corley Miller, George Bailey, Caitlin Kline, Elizabeth Friedrich, and Eric Taylor. If you can't read the whole thing, at least read the introductory comments, on pages 3-6, both for their substance and for the panache of their delivery. A taster: During the legislative process, the Volcker Rule was woefully enfeebled by the addition of numerous loopholes and exceptions. The banking lobby exerted inordinate influence on Congress and succeeded in diluting the statute, despite the catastrophic failures that bank policies have produced and continue to produce…" Click here more.*

David Dayen: Citizen Lobbyists: Occupy the SEC Delivers Comment Letter for Volcker Rule
David Dayen (Firedoglake)
February 14, 2012

"This week marks the end of the public comment period on the Volcker rule. The usual suspects have all delivered their comments. The small advocacy community in favor of the rule sent in their comment through the vehicle of ***Americans for Financial Reform****. The much larger finance lobby delivered their mass of comments, in particular calls for multiple exemptions and waivers. Yet the initial draft of the Volcker rule was practically an exemption masquerading as a rule, so shot through with loopholes that it would generate little more than laughter. This is the usual power dynamic on rule implementation. You have a very small set of advocacy groups on one side, and multi-million-dollar lobbyists on the other. But on the Volcker rule, a new entrant has taken the field. The group* ***Occupy the SEC****, a collection of experts in finance which sprung out of the Occupy Wall Street movement, delivered a 325 page letter to the SEC about the rule. Of the 395 questions asked by federal agencies on the rule, Occupy the SEC answered 244 of them. Occupy the SEC accomplished this by delegating sections of the statute in public meetups to various individuals, facilitating discussion, and then coming together to draft the letter." Click here for more.*

At Volcker Rule Deadline, a Strong Pushback From Wall St.
Ben Protess and Peter Eavis (DealBook/NYT)
February 13, 2012

*"Wall Street made its broadest assault yet against new regulation on Monday, taking aim at a rule that has come to define the battle over how to police banks in the aftermath of the financial crisis. Regulators in charge of writing the Volcker Rule, which would ban banks from trading with their own money, were inundated with complaints and suggestions on Monday, the deadline to comment on a draft proposal. More than 200 letters were expected to be filed by the midnight deadline on the rule, which regulators outlined in October. Commenters included the rule's namesake, Paul A. Volcker, the former Federal Reserve chairman, who submitted a strongly worded defense of the rule's intent in a letter on Monday. Others, like consumer advocates and lawmakers, criticized the draft rule for not being tough enough. Senators Carl Levin of Michigan and Jeff Merkley of Oregon, both Democrats, led the effort to insert the Volcker Rule in the Dodd-Frank act, the sweeping regulatory overhaul passed in response to the financial crisis. In a comment letter on Monday, the senators said the proposed rule was 'too tepid.' But the loudest response came from critics like Wall Street trade groups and banks, who want to soften the rule. The rule, the critics said, is a threat to the health of the financial industry and the broader economy. … 'It's part of their ongoing strategy — if you can't kill the rule, you may as well delay it as long as possible,' said Dennis Kelleher, president of **Better Markets**, a nonprofit group that advocates stricter financial regulation." Click here for more.*

Ex-Citigroup CEO Says Volcker Rule Needs 'Severe Penalties'
Donal Griffin (Bloomberg)
February 14, 2012

"John S. Reed, who helped engineer the merger that created Citigroup Inc. (C), said the U.S. should make the proposed Volcker rule stronger by targeting bank traders' pay and using 'severe penalties' to enforce it. Regulators should ensure traders are paid 'based on the results of their market-making and hedging activities after those positions are fully unwound,' Reed wrote in a letter to regulators yesterday. There should be 'specific and vigorous penalties for individual traders, management and firms' who don't comply with the new regulations, Reed wrote. The letter from Reed, 73, was among comments filed yesterday with regulators who are finalizing the Volcker rule, which bans banks that accept deposits from trading that could put their firms at risk and create another financial crisis. Lenders including New York-based Citigroup, Goldman Sachs Group Inc. (GS) and JPMorgan Chase & Co. have called for revisions amid concern that the rule could harm profits." Click here for more.

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Shadow Markets and Systemic Risk

AFR Comment Letter: Prevent Conflicts of Interest in Asset Backed Securities

Click here to view AFR's comment letter to the SEC arguing that the rules are generally appropriate, but that the regulators should also make clear that they are prohibiting not just the specific examples of conflict of interest that came to light in hearings on the financial crisis, but all similar conflicts of interest.

AFR Comment Letter: CFTC Proposed Rule on Making Swaps Available to Trade Requires Fundamental Restructuring

Click here to view AFR's comment letter to the CFTC on the process for a designated contract market or swap execution facility to make a swap available to trade. The proposed rule falls short of congressional intent, and requires fundamental restructuring.

AFR Capitol Hill Letter: Oppose HR 2308, HR 1838, and HR 3606

Click here to view AFR's letter to House Financial Services Committee members, expressing concerns about three proposed bills that would undermine transparency and accountability in the financial system.

U.S. House Panel Approves Measure Limiting Swaps 'Push-Out'
Silla Brush and Phil Mattingly (Bloomberg)
February 16, 2012

*"The U.S. House Financial Services Committee approved legislation that would let banks keep commodity and equity derivatives in federally-insured units by removing part of the Dodd-Frank Act's so-called push-out rule. The bipartisan measure, approved today by voice vote, calls for altering the 2010 law's requirement that banks with access to deposit insurance and the Federal Reserve's discount window move some derivatives trades to separate affiliates. …**Americans for Financial Reform**, a coalition including the AFL-CIO labor federation as well as other unions and consumer advocacy groups, opposed changes to the push-out rule in a letter before the vote. …The committee also approved a bill 54-1 that would ease disclosure requirements for smaller companies seeking public offerings, saying "emerging growth" companies that make less than $1 billion in annual revenue should get a five-year "on ramp" that lessens their burdens for going public. The bill, which passed with bipartisan support, is similar to Senate legislation awaiting its own committee vote. The panel approved a measure from Representative Scott Garrett, a New Jersey Republican, to require the U.S. Securities and Exchange Commission produce a full cost-benefit justification for any rule before the regulator issues it. The agency last year suffered a court rejection of its rule that would have eased shareholders' ability to put board candidates on corporate ballots because of inadequate cost-benefit analysis. The panel approved the measure along party lines, 30-26." Click here for more.*

Click here to read the markups of H.R. 3606, "Reopening American Capital Markets to Emerging Growth Companies Act of 2011"; H.R. 2308,"SEC Regulatory Accountability Act"; H.R. 1838, "Swaps Bailout Prevention Act"; and H.R. 4014, a bill to amend the Federal Deposit Insurance Act with respect to information provided to the Bureau of Consumer Financial Protection.

US regulator poised to soften derivatives curbs
Gregory Meyer in New York (FT – registration required)
February 16, 2012

"US regulators are poised to increase 20-fold the amount of derivatives a company can sell before it is subject to strict new rules for the biggest traders, softening a significant plank of financial market reform. The potential shift comes ahead of a vote at the Commodity Futures Trading Commission, the US regulator, set for February 23 on how to define dealers and other leading participants in swaps, the previously unregulated derivatives whose size and lack of transparency exacerbated the financial crisis. …The CFTC rule, when proposed in late 2010, included such a limited designation. John Parsons, an economist at the Massachusetts Institute of Technology who has studied the issue, said: 'All dealers should be treated as dealers. There is no good reason to carve out a special class of companies – like commercial energy firms – that are exempt from the regulations covering everyone else.'" Click here for more.

Private Equity Industry Attracts S.E.C. Scrutiny
Peter Lattman (DealBook/NYT)
February 12, 2012

"In recent years, the private equity industry has escaped much of the regulatory scrutiny that has been directed toward hedge funds and Wall Street banks. But that appears to be changing. The Securities and Exchange Commission has begun a broad examination of the private equity industry, seeking information about the business practices of some of the country's most powerful financial firms. The S.E.C.'s enforcement unit sent a letter late last year to several private equity funds as part of what it called an "informal inquiry" into the industry, according to two people with direct knowledge of the matter who requested anonymity because they were not authorized to discuss it publicly. It is not clear which firms received the letter. While the S.E.C. emphasized that the request should not be construed as an indication that it suspected any wrongdoing, its goal in gathering information was to investigate possible violations of securities laws, these people said." Click here for more.

Banks are shackled but stronger
Josh Boak (Politico)
February 12, 2012

"In this evolving era of financial reform, the nation's too-big-to-fail banks are either at death's door or destined to become bigger and badder than ever. Either way, Washington is the epicenter of a chain reaction

that could revamp the country's financial institutions. Banks could merge to survive the heightened scrutiny caused by the enforcement of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection law, or they could break themselves up so they no longer appear on the radar screen of some newly empowered regulators — Treasury, the Federal Reserve, the Federal Deposit Insurance Corp. and others." Click here for more.

Obama proposes large budget boosts for SEC, CFTC
Christopher Doering and Sarah N. Lynch (Reuters)
February 13, 2012

"The White House on Monday proposed big budget boosts for U.S. financial market regulators, which are months behind in finalizing Dodd-Frank reforms and are under pressure to more vigorously police markets in the wake of the 2007-2009 financial crisis. The Securities and Exchange Commission would get an 18.5 percent funding increase, while the Commodity Futures Trading Commission would receive a 50 percent rise in spending under the Obama administration's fiscal 2013 budget. The SEC's budget would rise to $1.566 billion from 2012's budget of $1.321 billion, while the CFTC would see a spending jump to $308 million from $205 million. President Barack Obama also called for legislation to fund the CFTC through user fees, bringing it in line with most other financial regulators. 'Without sufficient funding ... the nation cannot be assured that this agency can oversee the futures and swaps markets, that customers are protected, and that the public gets the benefit of transparent markets and lower risk,' Gary Gensler, the chairman of the CFTC, said in a letter to lawmakers discussing the budget. Click here for more.

Click here to view AFR's press statement on the budget increases.

Excerpt:

> *"President Obama's FY 2013 budget request would increase the CFTC budget to $308 million…also increases funding for the SEC to $1.566 billion…AFR strongly supports the increased funding levels, and believes that adequate funding for these regulators is vital to holding Wall Street accountable, and preventing another financial crisis. Huge volumes of hidden and un-backed derivatives trades were a key cause of the financial crisis. …With millions of Americans still out of work, more than $8 trillion lost in home values and retirement savings, and millions of foreclosures it could not be clearer that Wall Street must not be allowed to gamble in the shadows."*

CFTC May Move Enforcement Staff to Dodd-Frank Oversight Roles
Silla Brush (Bloomberg)
February 14, 2012

"The U.S. Commodity Futures Trading Commission says it will shift enforcement staff to meet Dodd- Frank Act demands in 2012, after failing last year to adequately oversee CME Group Inc., the world's largest futures exchange. The CFTC didn't meet its own goals to review CME, the Chicago Board of Trade, and ICE Futures U.S. in the year ending Sept. 30, 2011 for compliance with the agency's core principles for exchange-traded markets, according to an agency report on its own performance. In a separate spending plan for fiscal 2013, the agency said it would reassign staff this year from enforcement to oversee new applications for registration with the agency that stem from the Dodd-Frank regulatory overhaul." Click here for more.

Federal Reserve approves Capital One's acquisition of ING Direct
Associated Press
February 14, 2012

"Capital One has won approval to acquire ING Direct for $9 billion, clearing the way for it to become the nation's fifth-largest bank. The Federal Reserve, which regulates bank holding companies, announced the unanimous vote on Tuesday. It had delayed making an announcement on Monday after a closed-door meeting on the matter. In a brief statement, the Fed said it had given its approval after directing Capital One to upgrade its risk-management functions to reflect the bank's new size and complexity." Click here for more.

Click here to view the press statement deploring this move from NCRC and **click here** to view Public Citizen's.

Financial Regulation Of Derivatives Could Be Handled Like Drug Approvals, Experts Say
D.M. Levine (Huffington Post)
February 14, 2012

"Are exotic financial derivatives as risky as untested prescription drugs? Two University of Chicago economists say possibly. As noted by economist Steve Levitt [in his Freakonomics blog](), professors Eric Posner and Glen Weyl proposed in a recent white paper the creation of a regulatory body that could prescreen financial products -- like the subprime-asset stuffed securities that nearly brought down the U.S. economy -- before they're sold to other banks or investors. In other words, an FDA for CDOs. 'A large part of what contributed to the financial crisis were innovative financial products that introduced a large amount of risk to the system and concentrated it in the hands of people who were least able to understand them,' Weyl told The Huffington Post. 'What we're proposing is something similar to the role the FDA plays in the approval of new medicine.'" *Click for more.*

Peter Barnes: Banks Lobbying to Extend Financial Crisis Deposit Guarantee Program
Peter Barnes (FoxBusiness)
February 15, 2012

"Worried about continued risks to the economy and financial system, community banks are lobbying Congress to extend a financial crisis program that provides federal guarantees for more than $1 trillion in large bank accounts mainly for businesses—nearly 15% of total U.S. bank deposits. The Federal Deposit Insurance Corporation launched the Transaction Account Guarantee (TAG) program in October 2008 at the height of the financial crisis to help keep big customers that feared bank failures from withdrawing their cash. The FDIC covers the cost of the program through premiums it charges banks for deposit insurance, but taxpayers are the agency's ultimate backstop." *Click here for more.*

Commodity Speculation

Bumpy Ride Ahead: Gas Prices May Soon Hit $4 a Gallon
Alan Farnham (ABC News)
February 13, 2012

"Gasoline prices could soon hit $4 a gallon, a threshold they haven't flirted with since last spring. The average price paid by U.S. drivers for a gallon of regular now stands at $3.52, according to the U.S. Energy Information Administration, which released its latest figures this afternoon. That price represents an increase of 0.04 percent from a week ago and 0.38 percent from a year ago. Experts expect prices to spike another 60 cents or more, with the $4 mark being touched—or exceeded—sometime this summer, probably by Memorial Day weekend, the peak of the summer driving season. The last time the U.S. saw $4 gasoline was back in the summer of 2008." *Click here for more.*

MF Global

MF Global trustee to share info with investigators
Nick Brown (Reuters)
February 14, 2012

"The trustee for bankrupt MF Global Holdings Ltd agreed to share internal documents with officials investigating a massive shortfall in the firm's customer accounts, resolving weeks of negotiations over access to the information. In a court filing on Tuesday, Louis Freeh, the trustee charged with managing MF Global's assets in bankruptcy, said he will turn over communications related to customer accounts and other business operations to investigators including the Commodity Futures Trading Commission, Securities & Exchange Commission, and James Giddens, the trustee liquidating MF Global's broker-dealer unit.The information includes emails and physical documents sent between MF Global employees, according to two people with knowledge of the trustee's operations." *Click here for more.*

International

EU lawmakers urge tougher HFT, commodities rules
Huw Jones (Reuters)
February 13, 2012

"A draft European Union law to crack down on ultra-fast trading and stop abusive positions in commodities needs toughening up, EU lawmakers said on Monday. Computerised 'algorithms' and high-frequency trading (HFT) have been blamed by critics for making markets more volatile, although others say the practice boosts liquidity. The EU's executive European Commission has proposed new curbs on computerised trading, like monitoring access to markets, as part of its wider reform of securities markets known as MiFID II. 'This is really a hot potato because there are places in the world where you can play on the real economy,' Markus Ferber, a German centre-right member of the European Parliament, told a webcast meeting of the assembly's economic affairs committee in Strasbourg, France. '." Click here for more.

Pressure rises on private equity bosses' tax
Daniel Schäfer in London and Richard McGregor in Washington (FT – registration required)
February 14, 2012

"Pressure is rising across the globe to raise taxes for private equity bosses, with German and Swedish authorities pushing for legislative changes and a leading US pension fund investor calling the 15 per cent rate in America 'indefensible'. Both the German and Swedish governments are considering proposals to lift tax rates for on the industry's profit-sharing schemes, in what private equity executives say is likely going to trigger similarly sweeping changes across Europe. In the US, the comments about the industry's taxes by Joe Dear, investment chief of Californian pension fund Calpers, come as US President Barack Obama is demanding the wealthy pay more." Click here for more.

Hopes rise for Greek deal after new budget cuts found
Lefteris Papadimas and Jan Strupczewski (Reuters)
February 16, 2012

"Hopes rose on Thursday that Greece has finally done enough to secure a second bailout after Athens set out extra budget savings demanded by its international lenders, but the optimism failed to ease tensions with EU paymaster Germany. Time is running out for Greece to seal the 130 billion euro ($170 billion) rescue and avoid bankruptcy, but Greek officials hope euro zone finance ministers will sign the deal off on Monday - exactly a month before Athens needs the money to repay 14.5 billion euros of debt repayments due on March 20." Click here for more.

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Foreclosures and Housing

US taxpayers to subsidise $40bn housing settlement
Shahien Nasiripour in Washington (FT – registration required)
February 16, 2012

*"US taxpayers are expected to subsidise the $40bn settlement owed by five leading banks over allegations that they systematically abused borrowers in pursuit of improper home seizures, the Financial Times has learnt. The deal, agreed last week, calls for Bank of America, JPMorgan Chase, Wells Fargo, Citigroup and Ally Financial to pay about $5bn in cash fines and to reduce monthly payments and loan balances for distressed US borrowers by as much as about $35bn. However, a clause in the provisional agreement – which has not been made public – allows the banks to count future loan modifications made under a 2009 foreclosure-prevention initiative towards their restructuring obligations for the new settlement, according to people familiar with the matter. The existing $30bn initiative, the Home Affordable Modification Programme (Hamp), provides taxpayer funds as an incentive to banks, third party investors and troubled borrowers to arrange loan modifications. Neil Barofsky, a Democrat and the former special inspector-general of the troubled asset relief programme, described this clause as 'scandalous'. 'It turns the notion that this is about justice and accountability on its head,' Mr Barofsky said. … Alys Cohen, an attorney at the **National Consumer Law Center**, said that if the arrangement increased help, then it was" good for homeowners in*

the long term'. 'But in the end the servicers are not really being punished. They're getting off easy,' Ms Cohen said."" Click here for more.

AGs weeks from filing foreclosure settlement documents
Jon Prior (HousingWire)
February 14, 2012

"The state attorneys general and federal prosecutors will likely file the actual $25 billion foreclosure settlement documents in court by the end of the month, according to a source familiar with the deal. The top five servicers agreed to general terms in the settlement last week, which would include billions in principal reduction, refinances, and even pay outs to homeowners affected by missteps in the process. Questions arose recently over whether the finalization of the deal would its change the scope. Rich Andreano, who co-leads the mortgage banking group at law firm Ballard Spahr, said while it will be difficult for analysts and officials to anticipate precisely how much aid each state will get from the deal until the documents are filed, results should not vary too significantly from the announcement made last week." Click here for more.

States use mortgage deal money to plug budget holes
Tami Luhby (CNNMoney)
February 16, 2012

"States are getting $2.5 billion from the national mortgage settlement, but not all of that money is going to help troubled homeowners. At least two states -- Missouri and Wisconsin -- are using the funds to plug big holes in their budgets. This does not sit well with some consumer advocates, who would prefer to see the money go to help those suffering from the housing crisis. Federal and state officials last week announced a $26 billion foreclosure settlement with five of the largest home lenders over allegations of improper foreclosures based on robosigning and faulty paperwork. The vast majority of the funds will be used to provide principal reduction or refinancing, as well as payments to borrowers who lost their homes. States, which took the lead in negotiating the deal, also got a tidy bundle. The settlement says the attorneys general may distribute the money to foreclosure relief and housing programs, such as counseling, legal assistance and mediation initiatives." Click here for more.

Borrowers have until July for foreclosure review
Ronald D. Orol (MarketWatch)
February 15, 2012

"Borrowers seeking a review of their mortgage foreclosures to see if they are eligible to receive compensation or other remedies because of errors in foreclosure actions on their homes have three more months until July 31 to submit their requests to bank regulators, according to releases by the Federal Reserve and Office of the Comptroller of the Currency Wednesday. The foreclosure reviews are required by major banks that were sanctioned by the OCC and other regulators in April for 'negligence' in residential mortgage loan servicing and foreclosure processes. Borrowers are eligible for a review if their mortgage was active in the foreclosure process between Jan. 1, 2009, and Dec. 31, 2010. Separately, borrowers who believe they were wrongfully foreclosed upon may also soon be eligible to apply and receive compensation from a $1.5 billion fund being established as part of a broad $26 billion bank settlement with states and the federal government reached last week." This is the entire article.

Click here to view the official press release.

Audit Uncovers Extensive Flaws in Foreclosures
Gretchen Morgenson (NYT)
February 16, 2012

"An audit by San Francisco county officials of about 400 recent foreclosures there determined that almost all involved either legal violations or suspicious documentation, according to a report released Wednesday. Anecdotal evidence indicating foreclosure abuse has been plentiful since the mortgage boom turned to bust in 2008. But the detailed and comprehensive nature of the San Francisco findings suggest how pervasive foreclosure irregularities may be across the nation. The improprieties range from the basic — a failure to warn borrowers that they were in default on their loans as required by law — to the arcane. For example, transfers of many loans in the foreclosure files were made by entities that had no right to assign them and institutions took back properties in auctions even though they had not proved ownership." Click here for more.

Michael Hiltzik: Faulty reasoning keeps Fannie and Freddie out of foreclosure deal
Michael Hiltzik (LA Times)
February 14, 2012

"You can love or you can hate the recent $25-billion federal-state mortgage foreclosure settlement, but there's no getting around one simple fact: There's a huge, gaping hole right in the middle of it. The hole is that if your home loan has been bought from your lender by Fannie Mae or Freddie Mac, you'r not eligible for the mortgage relief encompassed by the deal. Since Fannie and Freddie control well more than half of all outstanding mortgages, this shortcoming looks to be what engineers would call "non-trivial." This is curious, because the settlement, announced last week, had a sizable head of steam behind it. It was endorsed by the Obama administration, including the departments of Justice and Housing and Urban Development, and 49 of the 50 state attorneys general. By my count, the latter group breaks down as 24 Republicans and 25 Democrats; you can't get more bipartisan than that, unless you cut one Democrat in half and cede a piece to Team GOP. The answer is that the participation of Fannie and Freddie has been blocked by a career civil servant named Edward J. DeMarco. … All this makes DeMarco's adamantine opposition to principal forgiveness mysterious. In November, he told Cummings' subcommittee that he didn't think the law permitted him 'to use taxpayer money for a general program of principal forgiveness.' But a 'general program' is not what Fannie and Freddie are being asked for. Housing reformers want them to consider forgiveness as 'one of several tools' to extricate the country from the mortgage overhang, in the words of Wade Henderson, chief executive of the ***Leadership Committee on Civil and Human Rights****, a Washington group that will be meeting with DeMarco next week. Click here for more.*

Click here to view the letter from the Leadership Conference on Civil and Human Rights to Director DeMarco.

NPA E-Alert: Fire FHFA Director Ed DeMarco

"DeMarco is obstructing programs needed to prevent foreclosures, resolve the mortgage crisis and help the economy recover. Sign the petition to have him ousted!" Click here for more.

Financial crisis chair Angelides quits mortgage firm
Matthew Goldstein and Jennifer Ablan (Reuters)
February 13, 2012

"Phil Angelides, the former chairman of a federal commission set up to look into the causes of the financial crisis, has stepped down from a group seeking to turn a profit by investing in distressed mortgages. Reuters reported a month ago that Angelides was heading a firm called Mortgage Resolution Partners, which had touted its political connections as part of its 'secret formula' for negotiating deals to buy distressed mortgages. (link.reuters.com/vyx56s) Angelides' involvement with the firm had drawn scrutiny on Capitol Hill, where one congressman recently sent a letter warning about potential political influence peddling. A representative for Angelides told Reuters on Monday the former California state treasurer stepped down as executive chairman of the upstart firm on January 27. The representative did not give any reason for the move." Click here for more.

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Executive Compensation

Executive Decisions: How CEO Pay Spun Out of Control
Nell Minow (The New Republic)
February 16, 2012

"During Angelo Mozilo's tenure as CEO of the subprime mortgage giant Countrywide, he made more than $520 million. At one point, the board's compensation committee tried to object to the lenient performance goals in his generous pay package. So Mozilo hired a compensation consultant—with the cost covered by shareholders—to squeeze the board for more. He got it, as well as subsidies for his wife's travel on the corporate jet and for the associated taxes. By the end of 2007, when Countrywide finally revealed the massive losses it had previously obscured—the company had overstated its profits by $388 million and

ended up paying $8.7 billion to settle predatory lending charges—Mozilo had made more than $103 million for the year. Countrywide's shareholders, meanwhile, lost more than 80 percent of their investments." *Click here for more.*

Investors Press SEC on Financial Market Reform
Subodh Mishra (ISS blog)
February 15, 2012

"A global coalition of institutional investors is calling on the U.S. Securities and Exchange Commission to carry through with implementing the investor protection provisions of the Dodd-Frank Act. In a Feb. 13 letter to SEC Chairman Mary Schapiro, the 14 pension funds and plan sponsors, which represent $1.6 trillion in assets, urged the agency to complete what they called 'unfinished business' in the wake of the financial crisis. 'Despite the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act, we believe there is unfinished business that is critical to protecting and strengthening shareowner rights and investor confidence in the financial markets,' fund officials wrote in their letter to Schapiro. The coalition includes pension systems for the states of California, Connecticut, Florida, and Ohio, as well as New York City. International representatives include PGGM of the Netherlands along with F&C Management and RPMI Railpen of the United Kingdom." *Click here for more.*

SEC Tightens Rules on Advisory Performance Fee Charges
SEC press release
February 15, 2012

"The Securities and Exchange Commission today announced it is tightening its rule on investment advisory performance fees to raise the net worth requirement for investors who pay performance fees, by excluding the value of the investor's home from the net worth calculation. Under the SEC's rule, registered investment advisers may charge clients performance fees if the client's net worth or assets under management by the adviser meet certain dollar thresholds. Investors who meet the net worth or asset threshold are deemed to be 'qualified clients,' able to bear the risks associated with performance fee arrangements." *Click here for more.*

Banking Panel Examines Risky Executive Pay Practices at "Too Big to Fail" Megabanks
Press release
February 15, 2012

"During the 1970s, Average Compensation for CEO Was Nearly 30 Times the Average Pay of a Production Worker; By 2007, CEO Compensation Had Increased to Nearly 300 Times What the Average Worker Made. U.S. Sen. Sherrod Brown (D-OH), Chairman of the Senate Banking Subcommittee on Financial Institutions and Consumer Protection, conducted a hearing entitled, "Pay for Performance: Incentive Compensation at Large Financial Institutions" today. The hearing examined executive compensation practices at the largest financial institutions and the role that excessive compensation packages played in causing the financial crisis." *Click here for more.*

Click here to view/read testimony from the hearing.

Roger Lowenstein: Is Any CEO Worth $189,000 Per Hour?
Roger Lowenstein (Bloomberg)
February 15, 2012

"Chief executive officers are not the only highly paid people in America. It's just their misfortune that, thanks to disclosure rules, they're among the most visible. This proxy season coincides with an electoral cycle in which income inequality has become a populist issue for candidates in both parties, which means CEO paychecks will be scrutinized as never before. And what can't evade discovery is that, even among the very rich, CEOs have been consistently overpaid. By overpaid, I don't mean merely highly paid. We live in a capitalist country, and talent is entitled to fetch its price. But to take just one shining example, Larry Ellison, CEO of Oracle (ORCL), has gorged himself on more than $60 million in stock options every year since 2008. Even if Ellison did groundbreaking work and was a juggernaut of management brilliance, abusive would not be too strong a word." *Click here for more.*

Bartlett Naylor: Risky Business
Bartlett Naylor (Otherwords.org)
February 13, 2012

"What makes Wall Street so attractive to ambitious workers and bright minds? It's the same thing that also makes it so reckless: big paychecks. Americans get this, which is why Congress has passed a financial reform law to begin to repair the problem. But the official watchdogs responsible for enforcing the law, under assault by Wall Street lobbyists, seem to have shelved the necessary regulations pending 'review.' The aggressive loan-makers who made millions churning out junk mortgages contributed to the 2008 financial crash. Those mortgages fed the fee-generating securitization assembly line developed by math whizzes, which fattened more wallets. The high-risk traders at banks and hedge funds took it a step further, gambling on the fate of those original loans to generate even bigger windfalls. Click here for more.

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Student Lending

Student Loans Near $1 Trillion Hurt Young U.S. Buyers
Bob Willis (Bloomberg)
February 16, 2012

As outstanding student debt approaches $1 trillion, it's one more reason record-low interest rates aren't doing more to boost housing. The tighter lending standards that have emerged in the wake of the recession weigh particularly on younger, first-time home buyers, according to a Federal Reserve study sent to Congress on Jan. 4. These households tend to be younger, often have relatively new credit profiles, lower-than-average credit scores and fewer economic resources to make a large down payment, the report said. 'Potential first-time homebuyers have been disproportionately affected by the very tight conditions in mortgage markets,' Federal Reserve Chairman Ben S. Bernanke said at a homebuilders conference last week. "First-time homebuyers are typically an important source of incremental housing demand, so their smaller presence in the market affects house prices and construction quite broadly." Click here for more.

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FTT

AFR E-Alert: Tell Your Members of Congress – A Wall Street Speculation Tax Makes Sense

*"Support for a Wall Street Speculation Tax has been spreading across the nation with more grassroots groups calling for a tax on reckless Wall Street speculation than ever before.To move forward on winning this policy change, we need members of Congress to step up and support Wall Street speculation taxes. When we buy everyday items from a candy bar to a new car, we have to pay a sales tax. Yet Wall Street traders buy and sell **billions** of dollars of securities **thousands** of times a day without paying a cent. It's past time for Wall Street to start paying its fair share." **Click here to write your Members of Congress.***

France To Proceed With Financial Transaction Tax
Dow Jones Newswires
February 13, 2012

"France is prepared in August to unilaterally introduce a financial transaction tax inspired by the U.K.'s stamp duty, and is confident other countries would follow suit, finance minister Francois Baroin told the Financial Times on Monday. The Tobin tax will be levied at 0.1%, raising EUR1 billion a year on share trades, the newspaper reported the minister as saying. Baroin hopes the move would put pressure on the European Commission to accelerate the implementation of a controversial Europe-wide levy that the U.K. opposes." This is the entire article.

Financial transaction tax would raise €10bn
Harry Wilson, (The Telegraph – UK)
February 16, 2012

"Introducing a financial transaction tax would cause minimal disruption and would raise additional taxes worth €10bn (£8.4bn) for the British government, according to the European Union official in charge of tax policy. Algirdas Semeta, European Commissioner for taxation and customs union, told a House of Lords committee yesterday that banks were highly unlikely to relocate elsewhere if the tax were brought in. 'It is very difficult for me to imagine that a financial institution could move somewhere else and abandon all its clients in the European Union,' said Mr Semeta. Mr Semeta said the EU's planned implementation of an FTT would 'minimise the risk of relocation', though he said he was open to suggestions as to how the risk of activity moving elsewhere could be reduced further. The EU expects the tax to raise nearly €60bn across the region every year of which just over a fifth will come from the UK. Mr Semeta said all the money raised in the UK would go to the British budget, though he was less clear about what arrangements would follow should Britain not implement the controversial tax." Click here for more.

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Investor Protection

AFR Capitol Hill Letter: Oppose Anti-Investor "Capital Formation" Legislation

Click here to view AFR's letter to the Senate, expressing concerns about a raft of bills that are harmful to economic and job growth.

Big Banks, Money, and Politics

Financial lobby in holding pattern
Dave Levinthal (Politico)
February 12, 2012

*"See you in 2013, Congress. That may as well be the financial lobby's message to federal lawmakers this year as banks and investment houses acknowledge they've largely written off 2012 as lost for affecting major policy priorities such as undoing Wall Street reform or torpedoing the nascent Consumer Financial Protection Bureau. …That doesn't mean there isn't government influence action afoot this year: Regulatory agencies, not Congress, are instead taking a more leading role. The Securities and Exchange Commission, which is tasked with making rules for Wall Street reform legislation, is a prime example. …And although the broad financial, insurance and real estate sector remains a lobbying behemoth in the here and now, able to bring to bear hundreds of millions of dollars to directly lobby the federal government, its days of ever-increasing strength are over, at least for now. Last year, for example, was the first time in more than a decade the sector's lobbying spending actually dipped from the year before — a stark contrast with much of the 2000s, when year-over-year expenditure increases were measured in the tens of millions of dollars, according to data from the Center for Responsive Politics, which tracks lobbying spending. Within the broad FIRE sector, the securities and investment industry spent an annual record of $101.48 million in 2010 as Wall Street reform regulation raged in Congress. But during 2011, the center's numbers show, the industry's spending slid to $99.1 million. …This is cold comfort to consumer advocates, however. 'The financial industry is still about the biggest lobbying force there is, and the ability for them to grow again is almost boundless,' said Bartlett Naylor, a financial policy lobbyist for **Public Citizen's Congress Watch** division. Even if Republicans were to sweep Congress and take back the White House in November — a dream scenario for many in the financial services industries — GOP lawmakers probably wouldn't immediately roll back Dodd-Frank era changes and would most likely listen, at least to some extent, to the petitioning of consumer organizations, Naylor suggested. 'People look at what happened in 2008, and they don't want it to happen again,' he said. But Election Day remains months away, and in the meantime, consumer groups are resolved to protect their policy gains from the previous Congress. 'We have a lot of defensive priorities now,' said Lisa Donner, executive director for **Americans for Financial Reform**. 'The reason we won some battles in the first place is that people are angry, angry at the recklessness and law breaking … that is responsible for economic devastation for millions of people. We want to remind the government of that.'" Click here for more.*

Wall Street turns wrath — and cash — on Obama
Ben White (Politico)
February 12, 2012

"Profits and bonuses are down across Wall Street. Banks are slicing jobs and shuttering once profitable trading units in the face of new regulations. But the financial services industry is poised to set records in one arena in 2012: politics. The beleaguered sector is pumping tens of millions of dollars into campaigns and newly dominant super PACS as one of Wall Street's own seeks the White House and the industry looks to roll back key parts of the Dodd-Frank financial reforms. The goal is to oust a president and some members of Congress whom many bankers view as openly hostile toward them. Employees of securities and investment firms have already given $52.8 million to candidates and party committees in the 2012 cycle, according to the Center for Responsive Politics. That makes it the No. 1 industry, up from fourth place in 2010 and third in the 2008 campaign." Click here for more.

Obama Returns to NYC for First Wall Street Fundraiser of Year
Hans Nichols and Jeffrey McCracken (Bloomberg)
February 14, 2012

"President Barack Obama will return to New York on March 1 for a fundraiser with investment bankers and hedge fund managers, according to a campaign invitation, marking his first high dollar event there since calling for increased taxes on the wealthy in his 2013 budget. Hosts of the fundraiser, including Ralph Schlosstein, chief executive officer at Evercore Partners Inc., and his wife, Jane Hartley, co-founder of the economic and political advisory firm Observatory Group LLC, were assured last week by Jim Messina, Obama's campaign manager, that the president would not demonize Wall Street in his re-election." Click here for more.

Robert Borosage: Super PACs: Derivatives of politics
Robert Borosage (*(originally published in Politico)*
February 16, 2012

"Financial wilding led to our economic collapse. Use of exotic "innovations" — like derivatives and credit default swaps — exploded. Regulators were paralyzed while huge bets were made in the shadows. Markets, we were assured, self-regulate. Congress blocked reform. Big money rushed in, seeking ever higher returns. Laws legitimized shadow financial activities. Speculation careened out of control. A similar wilding now threatens our democracy as out-of-control big money floods our elections. These exotic derivatives are the super PACs and related operations, fueled by cartloads of secret money." Click here for more.

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Other

Rep. Maxine Waters: Dodd-Frank is not to blame for economic instability
Rep. Maxine Waters (Politico op-ed)
February 12, 2012

"The Republican presidential candidates are blaming Dodd-Frank for everything from the failure of mortgage servicers to provide loan modifications to the inability of small businesses to get credit. These arguments, of course, are specious at best and willfully misleading at worst, but they continue nonetheless. For some of my Republican colleagues, the truth has never gotten in the way of bold pronouncements that ignore the fact that the collapse of our economy actually preceded the Dodd-Frank financial reforms by two years. For them, Dodd-Frank is their bête noire — the cause of all of our economic disruptions. If only someone would repeal the Dodd-Frank law, unemployment would fall to 5 percent, 401(k)s would rise in value, underwater homeowners would be able to refinance their loans and housing prices would increase to pre-2005 levels." Click here for more.

Many hoping regulators turn ‘bad’ rules ‘good’
Phil Davis (FT – registration required)
February 12, 2012

“In the 1980s the widespread fleecing of clients by banks and brokers in London and New York was justified by the argument that if investors were willing to buy without question whatever was offered, more fool them. The balance has since been partly redressed as investors have become more sophisticated and informed thanks to the internet and improved regulation. But many in the investment industry are now worried that politicians and regulators are seeking to backstop the ‘fools’ with all-encompassing regulation that protects retail and institutional investors alike against any and all ills. There is mounting concern about overlapping rule-making that some say could strangle the industry and, as a result, the wider economy.” Click here for more.

Washington Post editorial: Banks aren’t liable for auto industry woes
Washington Post editorial
February 14, 2012

“WALL STREET IS recovering from the Great Recession, but the U.S. financial sector might not exist at all if Congress had not enacted a $700 billion bailout, the Troubled Assets Relief Program (TARP), on Oct. 3, 2008. In President Obama’s view, the financial industry owes the American taxpayer not only a debt of gratitude — but a debt, period. His fiscal 2013 budget proposal includes a plan to charge large banks $61 billion over the next decade, to recoup the expected net cost of the TARP program. What could be fairer? As the budget notes, Wall Street firms ‘contributed to the financial crisis through the risks they took,’ and ‘benefited enormously’ from the bailout. The TARP law itself requires the president to submit a plan for recovering any shortfalls from the financial industry, so that TARP ‘does not add to the deficit or national debt.’ But Congress doesn’t have to approve it — and it shouldn’t. Whatever the banks’ sins, and they are legion, ripping off taxpayers via TARP is not one of them. The Treasury Department turned a $13 billion profit on its $245 billion bank capital injection. In other words, the banks paid the money back, with interest. If Treasury faces paper losses on TARP now, it is due in large part to the bailouts of insurance giant AIG, General Motors and General Motors’ erstwhile finance unit, now known as Ally Bank.” Click here for more.

The Economist: Over-regulated America
The Economist editorial
February 18, 2012

“Americans love to laugh at ridiculous regulations. A Florida law requires vending-machine labels to urge the public to file a report if the label is not there. The Federal Railroad Administration insists that all trains must be painted with an ‘F’ at the front, so you can tell which end is which. Bureaucratic busybodies in Bethesda, Maryland, have shut down children’s lemonade stands because the enterprising young moppets did not have trading licences. The list goes hilariously on. But red tape in America is no laughing matter. The problem is not the rules that are self-evidently absurd. It is the ones that sound reasonable on their own but impose a huge burden collectively. America is meant to be the home of laissez-faire. Unlike Europeans, whose lives have long been circumscribed by meddling governments and diktats from Brussels, Americans are supposed to be free to choose, for better or for worse. Yet for some time America has been straying from this ideal. Consider the Dodd-Frank law of 2010. Its aim was noble: to prevent another financial crisis. Its strategy was sensible, too: improve transparency, stop banks from taking excessive risks, prevent abusive financial practices and end ‘too big to fail’ by authorising regulators to seize any big, tottering financial firm and wind it down.” Click here for more.

Goldman Analyst Draws Scrutiny
Susan Pulliam and Michael Rothfeld (WSJ – subscription required)
February 15, 2012

“Federal criminal authorities are investigating whether a Goldman Sachs Group Inc. technology analyst leaked inside information to hedge funds, adding a new angle to a broadening insider-trading probe, people close to the situation say. The development takes the insider-trading investigation inside the research operation of a major Wall Street firm for the first time. It involves Henry King, a high-profile analyst well-known among technology investors for prescient calls on tech firms, the people say. A Goldman spokesman declined to comment on Mr. King's employment status. Mr. King didn't return calls for comment.

Representatives from the Manhattan U.S. attorney's office and the Federal Bureau of Investigation declined to comment." *Click here for more.*

Morgan Stanley, UBS May Be Cut by Moody's
Sanat Vallikappen and Stephanie Tong (Bloomberg)
February 16, 2012

"UBS AG, Credit Suisse Group AG (CSGN) and Morgan Stanley's credit ratings may be cut by as many as three levels by Moody's Investors Service, which is reviewing 17 banks and securities firms with global capital markets operations. Goldman Sachs Group Inc. (GS), Deutsche Bank AG (DBK), JPMorgan Chase & Co. (JPM) and Citigroup Inc. (C) are among companies that may be downgraded by two levels, Moody's said in a statement, adding that the 'guidance is indicative only.' Moody's today cut some European insurers' ratings based on risks stemming from the region's sovereign debt crisis. The potential downgrades, which may raise borrowing costs and force banks to increase collateral, put the ratings company at odds with bond investors, who are sticking with bets that new capital rules and trading limits will make the financial firms safer in the long run. Funding costs have climbed for banks worldwide as Greece's debt woes roil markets." *Click here for more.*

National Committee for Responsive Philanthropy - Philanthropic Claims by Merging Banks
National Committee for Responsive Philanthropy press release
February 16, 2012

"The National Committee for Responsive Philanthropy (NCRP) today urged federal bank regulators to set in place concrete standards to evaluate claims banks make about their philanthropy when seeking approval of proposed mergers. In a white paper submitted to officials this morning, the philanthropy watchdog group offered the first ever tools needed to assess these claims.'As the country has painfully learned in recent years, bigger banks are not necessarily better banks for consumers and investors,' said Aaron Dorfman, executive director of NCRP. "While we applaud legitimate philanthropy by banks and their foundations and hope to see more of it, a bank should not be allowed to make exaggerated claims about its past philanthropy and hazy promises about future largesse to obtain approval of a proposed merger." *Click here for more.*

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Upcoming Events

Capitol Hill

The House and Senate are out next week.

SEC

No pertinent markups/hearings scheduled as of 2/17/12

CFTC

CFTC Open Meeting on Two Final Rules and One Proposed Rule

The Commodity Futures Trading Commission (CFTC) will hold a public meeting to consider two final rules and one proposed rule on the following topics:

(1) Final Rule: Further Definition of "Swap Dealer," "Security-Based Swap Dealer," "Major Swap Participant," "Major Security-Based Swap Participant" and "Eligible Contract Participant;" (2) Final Rule: Swap Dealer and Major Swap Participant Recordkeeping and Reporting, Duties, and Conflicts of Interest Policies and Procedures; Futures Commission Merchant and Introducing Broker Conflicts of Interest Policies and Procedures; Swap Dealer, Major Swap Participant, and Futures Commission Merchant Chief Compliance Officer; and (3) Proposed Rule: Procedures to Establish Appropriate Minimum Block Sizes for Large Notional

Off-Facility Swaps and Block Trades; Further Measures to Protect the Identities of Parties to Swap Transactions (Reproposal).

When: Thursday, February 23, 2011, 9:30 a.m. (ET)

Where: CFTC Headquarters Conference Center, 1155 21st, NW, Washington DC

Topic: Open meeting to consider two final rules and one proposed rule under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Viewing/Listening Information: watch a live broadcast of the meeting via webcast on www.cftc.gov. Call-in to a toll-free or toll-telephone line to connect to a live audio feed. Call-in participants should be prepared to provide their first name, last name and affiliation. Conference call information is listed below:

US Toll-Free: 866-844-9416 and international toll: International Numbers - call leader name: CFTC

Participant Passcode/Pin: CFTC

This event is open to the public on a first-come, first-served basis.

CFPB

The Consumer Financial Protection Bureau (CFPB) invites you to participate in a town hall event in New York City.

The town hall will take place **at 5:30pm** on **Wednesday, February 22, 2012** at Hunter College (entrance on E. 69th Street between Park and Lexington Avenue).

The event will feature remarks from CFPB Director Richard Cordray about the consumer bureau's mission and work, including a new effort around checking accounts. Audience members will also be invited to share their personal experiences with checking accounts and other consumer financial products and services during an open-microphone session.

This event is open to the public and requires an RSVP. **To RSVP, email your full name and your organizational affiliation (if any) to cfpb.events@cfpb.gov**. Feel free to forward this invitation.

The CFPB was created by the Dodd-Frank Wall Street Reform and Consumer Protection Act and is the first federal agency devoted to consumer protection in the financial marketplace. For more information on the Bureau, please visit www.consumerfinance.gov.

FTC

The Federal Trade Commission will host a workshop on April 26, 2012, to examine the use of mobile payments in the marketplace and how this emerging technology impacts consumers. This event will bring together consumer advocates, industry representatives, government regulators, technologists, and academics to examine a wide range of issues, including the technology and business models used in mobile payments, the consumer protection issues raised, and the experiences of other nations where mobile payments are more common. The workshop will be free and open to the public.

Topics may include: What different technologies are used to make mobile payments and how are the technologies funded (e.g., credit card, debit card, phone bill, prepaid card, gift card, etc.)? Which technologies are being used currently in the United States, and which are likely to be used in the future? What are the risks of financial losses related to mobile payments as compared to other forms of payment? What recourse do consumers have if they receive fraudulent, unauthorized, and inaccurate charges? Do consumers understand these risks? Do consumers receive disclosures about these risks and any legal protections they might have? Click here for more information.

To aid in preparation for the workshop, FTC staff welcomes comments from the public, including original research, surveys and academic papers. Electronic comments can be made at https://ftcpublic.commentworks.com/ftc/mobilepayments. Paper comments should be mailed or delivered to: 600 Pennsylvania Avenue N.W., Room H-113 (Annex B), Washington, DC 20580.

The workshop is free and open to the public; it will be held at the FTC's Satellite Building Conference Center, 601 New Jersey Avenue, N.W., Washington, D.C.

National Community Reinvestment Coalition

21012 NCRC Annual Conference
Wednesday, April 18, 2012 at 1:00 PM - Saturday, April 21, 2012 at 4:00 PM (ET)
Washington, United States

Click here for more information.

GW Law's symposium on "Striking the Right Balance: Investor and Consumer Protection in the New Financial Marketplace"

Friday, March 2, 2012
8 am–7:30 pm

The George Washington University Law School
2000 H Street NW
Washington, DC 20052

GW Law invites you to a timely conference at which senior regulators, leading scholars, and prominent practitioners will discuss the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act on the regulation of markets for derivatives, securities, and consumer financial products. Symposium participants will also review the Sarbanes-Oxley Act on its 10th anniversary and will consider whether the legacy of the Sarbanes-Oxley Act provides encouraging or cautionary lessons regarding the likely future direction of Dodd-Frank's reforms. Register today: www.law.gwu.edu/gwl/consumerprotection

Other

National Consumer Protection Week (NCPW) is an annual campaign among government and non-profit entities that encourages consumers to take full advantage of their consumer rights and make better-informed decisions in the marketplace. **The 14th annual NCPW will be March 4 – 10, 2012.** If you have any questions about how to promote NCPW in your community, please send an email to ncpw@ftc.gov.