AMERICANS FOR FINANCIAL REFORM
ACCOUNTABILITY ★ FAIRNESS ★ SECURITY

THIS WEEK IN WALL STREET REFORM

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CFPB and Consumer Issues

Consumer Issues

CFPB Opens Door to Bank-Fee Complaints
Maya Jackson Randall (WSJ – subscription required)
March 1, 2012

"Consumers battling with financial firms over overdraft charges, late fees and other checking account issues can now file complaints with a new federal watchdog. The Consumer Financial Protection Bureau on Thursday said that it is accepting complaints about bank accounts. In addition to collecting concerns about fees, the agency is prepared to help address consumer problems related to bank withdrawals, automated-teller-machine cards and debit cards, and payment issues. The move, which comes on the heels of news that Bank of America Corp. is considering a monthly fee for many users of basic checking accounts, gives consumers a way to flag concerns to a new agency designed to prevent fraudulent practices involving financial products from credit cards to payday loans. 'Consumers need someone on their side to keep banks and credit unions accountable—that is our job at the Consumer Bureau,' said the bureau's director Richard Cordray. The consumer bureau, a central plank of the 2010 Dodd-Frank financial overhaul law, supervises the nation's largest banks as well as nonbank lenders that provide student loans, payday loans and check-cashing services." Click here for more.

Click here to view the CFPB's press release.

Bank fees prompt more to open accounts elsewhere, study says
Hadley Malcolm (USA Today)
February 27, 2012

"New fees led to an increase in the number of customers who switched banks in 2011, according to a J.D. Power and Associates survey released Monday. Of consumers surveyed, 9.6% switched banks in 2011, up from 8.7% in 2010, according to the Westlake Village, Calif., research firm. A third of those who switched cited fees as the reason for making the move. In many cases, customers see a disconnect between the fees they're paying banks and the services banks are delivering in return, says Michael Beird, director of J.D. Power's banking services practice." Click here for more.

Big Bank Weighs Fee Revamp
Dan Fitzpatrick and David Enrich (WSJ – subscription required)
March 1, 2012

"Bank of America Corp. is working on sweeping changes that would require many users of basic checking accounts to pay a monthly fee unless they agree to bank online, buy more products or maintain certain balances. The plan by the nation's second-largest bank by assets is the latest sign of stresses in the banking industry at a time of low interest rates, slow economic growth and new rules limiting many types of service charges. Many other big banks, including J.P. Morgan Chase & Co.—the nation's largest—and Wells Fargo & Co., have rolled out plans that aim to raise fee revenue or push customers to do more business with the bank." Click here for more.

Banks' fees pay off — for credit unions
E. Scott Reckard and Jim Puzzanghera (Los Angeles Times)
March 1, 2012

"Consumers fed up with the rising tide of bank fees helped the nation's credit unions more than double their number of new customers last year, new figures show. More than 1.3 million Americans opened new credit union accounts last year, up from less than 600,000 in 2010, the National Credit Union Administration reported. That brings the number of credit union members to a record 91.8 million. 'We're going to be playing bank fee Whack-a-Mole for the foreseeable future," Fred R. Becker, chief executive of the National Assn. of Federal Credit Unions said Thursday. Ultimately, he added, "people are going to switch' to credit unions. Credit unions were given a boost last year as major banks became targets of the Occupy Wall Street movement. It didn't help when Bank of America began plans to impose a $5 fee for debit cards, triggering howls of protest from consumers, Congress and even the White House. Seizing the moment, consumer groups organized November's "Bank Transfer Day," which encouraged people to switch their accounts from

for-profit banks to nonprofit credit unions and smaller local banks. The $96 billion in credit union accounts is dwarfed by the $12.6 trillion floating in the nation's banking system. But the shift into these funds serve as a warning sign to banks, which critics say have long operated as if they had no competition." Click here for more.

American Express Faces Enforcement Action Over Late Fees
Andrew R. Johnson (Dow Jones Newswires)
February 24, 2012

"American Express Co. (AXP), the largest credit-card issuer by spending, is facing an enforcement action by the Federal Deposit Insurance Corp. and possibly the Consumer Financial Protection Bureau over late fees the company charged some charge-card customers, American Express said Friday in a regulatory filing. The customers affected by the incorrect fees used charge cards that also allowed them to carry balances. American Express offers both charge cards, which a customer must pay off in full each month, and revolving credit cards, which allow a customer to carry a balance month to month that incurs interest charges. It also offers a hybrid product that allows a customer to carry a balance on a charge card." Click here for more.

McClatchy-Tribune News Service editorial: Consumer protection advances despite fierce opposition
McClatchy-Tribune News Service
February 27, 2012

"The following editorial appeared in the St. Louis Post-Dispatch on Friday, Feb. 24: Judging from the political firestorm surrounding the creation of the U.S. Consumer Financial Protection Bureau in 2010 and the appointment of its director last month, you'd have thought it was a government plot to kill our jobs and steal our freedom. In truth, the work of providing some reasonable federal oversight of everyday consumer financial products and services - bill collecting, personal credit ratings, residential mortgages, telemarketing, payday lending, check cashing, student loans - is remarkably ordinary. Last week, for example, the CFPB published a 17-page proposal in the Federal Register, describing how it wants to define 'larger participants' in the debt-collection and credit-rating markets. It also asked for comments from the public and business. A final rule is expected by mid-July. Properly crafted rules covering financial products will protect consumers and the honest, responsible businesses that sell them. Only the scammers - in industry and government - need to worry." Click here for more.

Sheriff Menendez Takes on the Wild West of Prepaid Debit
Ellie Wilkinson
February 2, 2012

"As we've been saying, prepaid debit cards are high in fees and low in rewards, especially when compared to free checking accounts (which still exist, by the way): a typical user could pay an average of $300 a year. Even an industry study which supports prepaid card use acknowledges that fees can top **$380 a year***. And one of our biggest concerns about prepaid cards is that they're unregulated, with no easy way to compare and understand their fees. It's our job to read disclosures, and even we had trouble deciphering the fees when we built our prepaid comparison tool. And if we spend hours staring at terms and conditions, we're willing to bet that your casual user doesn't always know what he's getting into. Fortunately, someone's been fighting at the federal level to curb prepaid debit card fees and increase transparency in the prepaid card industry. U.S. Senator Robert Menendez, from New Jersey, recently introduced new legislation that will address issues that have plagued owners of prepaid debit cards."* Click here for more.

Occupy Wall Street Wants To Reboot Our Credit Reporting System
Jana Kasperkevic and Jill Krasny (BusinessInsider)
March 1, 2012

"The Alternative Banking group of Occupy Wall Street is looking to Richard Cordray, director of Consumer Financial Protection Bureau, to revamp our credit scoring system. In a letter sent last week, the group made 10 suggestions for what the CFPB should do as it takes over rule-making under the Fair Credit Reporting Act." Click here for more.

Evolving regulations create business opportunities
Columbus Dispatch
February 26, 2012

“The fledgling U.S. Consumer Financial Protection Bureau announced this month that it wants to police debt collectors and credit-reporting companies, key players in the oft-criticized but largely unregulated (at least at the federal level) consumer-finance industry. A rule proposed by the agency would subject about 175 of the nation’s biggest debt-collection firms and 30 credit-reporting companies — including industry giants Equifax, Experian and TransUnion — to the kind of scrutiny that banks receive. ‘Consumer financial products and services have become more complex over the years, and they have expanded well beyond traditional banks,’ said former Ohio Attorney General Richard Cordray, whom President Barack Obama named to head the agency last month. ‘This oversight would help restore confidence that the federal government is standing beside the American consumer.’ Critics of the Obama administration have sought to portray Cordray’s agency as the poster child for federal red tape ever since its creation under the 2010 Wall Street Reform and Consumer Protection Act. However, cognizant of the public’s deep-seated frustration with the affected businesses — Cordray noted that the Federal Trade Commission has received more complaints about debt collectors than any other industry — some formerly outspoken critics have been restrained, so far at least, in their assessment of the proposed rule. … It’s shaping up to be a classic case study in the United States’ love-hate relationship with federal regulation — one that soon could find its way into the syllabus of Government Regulation and Business Strategy*, a popular M.B.A. course at Ohio State University’s Fisher College of Business. The person who developed the course — and continues to teach it — is Lance Schneier, who is himself a case study in federal regulation. Three decades ago, intrigued by the prospect of energy deregulation, Schneier left a prominent Columbus law firm to start what’s generally regarded as the first independent retail energy company, Yankee Resources Inc., later renamed Access Energy and sold to Enron Corp. Ten years ago, Schneier established a second energy retailer, Accent Energy, which he sold to IGS Energy in 2010.” Click here for more.*

Newest freshman Bonamici brings focus on protecting consumers to Hill
Ramsey Cox (The Hill)
February 27, 2012

“During the special election to replace former Rep. David Wu (D-Ore.), The Oregonian compared the campaign between now-Rep. Suzanne Bonamici (D-Ore.) and centrist Republican Rob Cornilles to the Massachusetts Senate race between centrist Republican Sen. Scott Brown and Elizabeth Warren. But the similarities between Warren and Bonamici run deeper than an election. Like Warren, Bonamici’s past works focused on protecting consumers. Bonamici said she finds the comparisons between her and Warren ‘hugely flattering.’ She started her legal career at the Federal Trade Commission working on consumer lending protections such as truth in lending, equal credit opportunity, fair credit reporting and mortgage fraud. ‘Consumer protection can help rebuild consumer confidence, and some people say consumer protection is anti-business I don’t see it that way,’ Bonamici said. ‘Consumer protection levels the playing field. When you have a business that does not operate fairly, honestly and play by the rules, they get a competitive advantage, putting those who are following the rules at a competitive disadvantage.’” Click here for more.

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Shadow Markets and Systemic Risk

AFR Letter: Support Full Funding for the CFTC in President Obama’s 2013 Budget

Click here to view AFR’s letter to members of the House Agriculture Committee urging them to support full funding for the CFTC.

Click here to view/read testimony from the House Agriculture committee hearing entitled “The Commodity Futures Trading Commission 2012 Agenda”.

FDIC: FDIC Insured Institutions Earned $26.3 Billion in the Fourth Quarter of 2011
FDIC press release
February 28, 2012

"Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported an aggregate profit of $26.3 billion in the fourth quarter of 2011, a $4.9 billion improvement from the $21.4 billion in net income the industry reported in the fourth quarter of 2010. This is the 10th consecutive quarter that earnings have registered a year-over-year increase. As has been the case in each of the past nine quarters, lower provisions for loan losses were responsible for most of the year-over-year improvement in earnings." Click here for more.

At Last! Banks Rev Up Lending
Victoria McGrane (WSJ – subscription required)
February 29, 2012

"U.S. banks posted their biggest quarterly increase in lending in four years, offering reason for optimism that the economic rebound is picking up steam. The lending expansion—detailed in the industry's latest report card from a top regulator—is good news for the U.S. economy at a time when the unemployment rate is 8.3% and investors remain anxious about the prospect of an economic downturn or market shock spurred by Europe's debt crisis. Increased credit availability stands to help U.S. businesses that have been looking to finance new growth. The lending pickup is a bright spot in a period of intense questioning about banks' earnings power. U.S. financial firms have been under pressure in the markets as weak economic growth, tighter regulation and a decline in trading and deal making crimp their earnings outlooks. The report, released Tuesday by the Federal Deposit Insurance Corp., also showed that the banking industry posted a $119 billion profit for 2011. That's up 40% from a year earlier and the banks' biggest profit since 2006, when the housing boom was in full swing." Click here for more.

Wall Street profits down by half
Josh Boak and Ben White (Politico)
February 29, 2012

*"Wall Street profits were down by half in 2011 and cash bonuses fell too — and many in the industry say tightened oversight pressed by President Barack Obama is the reason. Profits at banks and brokerage houses tumbled to $13.5 billion last year from $27.6 billion, according to a report out Wednesday from the Office of the New York State Comptroller Tom DiNapoli. The report also found that average cash bonuses slid 13 percent to $121,000, while firms laid off 4,300 employees during the last nine months of 2011. … 'Typical Wall Street, they blame everything on regulation,' said **Dennis Kelleher**, president and CEO of the nonprofit advocacy group **Better Markets**. 'The cost of complying with very modest financial regulation is minuscule compared to their tens of billions in revenues, profits and compensation. Those costs are also nothing compared to the benefit of preventing Wall Street from causing another financial crisis and sticking their hands in the pockets of American taxpayers for more bailouts.'" Click here for more.*

Scott O'Malia, Commodity Futures Commissioner, Seeks To Upend Wall Street Reform
Zach Carter (Huffington Post)
March 1, 2012

*"In a signal that partisan squabbling in the nation's capital may be reaching new levels of rancor, a key Republican regulator is pursuing an unusual avenue to overturn a Wall Street reform rule issued by his own agency. Scott O'Malia, one of five commissioners who lead the Commodity Futures Trading Commission, is asking a powerful White House office that has no actual authority over the CFTC to assess his agency's work. If the Office of Management and Budget were to take O'Malia up on his suggestion, it would radically change the way some federal regulations are written and severely hamper implementation of a host of rules mandated by the 2010 Dodd-Frank Act. It would also be illegal, according to Dennis Kelleher, president of **Better Markets**, a nonprofit financial reform advocacy group. Kelleher points out that the CFTC is an independent federal agency exempt from oversight by White House offices in order to avoid political interference in the technical regulatory process. The 2010 reform legislation tasked the CFTC with a host of new duties, from regulating the derivatives market that almost broke AIG, to cracking down on oil speculation that drives up gas prices, to preventing conflicts of interest that encourage banks to undercut their own clients. O'Malia has been a vocal opponent of these changes, even after helping to secure loopholes that water down the substance of the rules. Consider the CFTC's proposal for the Volcker rule -- a relatively*

simple concept banning banks from gambling in financial markets with their own money -- which came in at nearly 300 pages, filled with exceptions and exemptions that O'Malia supported. He still opposed the proposal, voting against a measure to accept public comments on it." Click here for more.

Better Markets Presses OMB
Ben White (Politico's Morning Money)
March 1, 2012

"Pro-reform group Better Markets sent a letter to OMB asking it to reject a request to do cost-benefit analysis of recently enacted CFTC rules: 'The Request ignores the single most important principle that must govern all rulemaking under the Dodd-Frank Act: the benefit of each rule must be analyzed in connection with its role in helping prevent another financial crisis.' *http://bit.ly/zyR9mf"*

Goldman and Wells Fargo Face S.E.C. Inquiries
Michael J. De La Merced (DealBook/NYT
February 28, 2012

"Goldman Sachs and Wells Fargo disclosed on Tuesday that they were facing inquiries from the Securities and Exchange Commission over mortgage-related investments offered to investors several years ago. In their annual reports with the S.E.C., Goldman and Wells Fargo said that they had received Wells notices from the regulator over unidentified sets of mortgage-backed securities. Such letters usually indicate that the agency is considering bringing an enforcement action. Both companies said that their Wells notices were tied to disclosures made in the offering documents of the securities. 'The firm will be making a submission to, and intends to engage in a dialogue with, the S.E.C. staff seeking to address their concerns,' Goldman wrote in its disclosure. Other banks, including JPMorgan Chase, are expected to disclose receiving Wells notices as well." *Click here for more.*

Volcker Rule

NYT editorial: Not What Paul Volcker Had in Mind
NYT editorial
February 27, 2012

Note: There are hyperlinks (see bold) to the jointly submitted comment letter by AFR, AFL-CIO, and US PIRG and the comment letter submitted by Better Markets.

"The Volcker rule, a crucial provision of the Dodd-Frank financial reform law, is supposed to stop banks from doing the sort of risky trading that was one of the big causes of the financial meltdown. The banks hate the rule because less speculation means less profit and lower bonuses for traders and bank executives. And ever since it was signed into law in mid-2010, they have pressed Congress and regulators to weaken it. Sure enough, in late 2011, regulators issued proposed rules that are ambiguously worded and lack the teeth to rein in the banks. Paul Volcker — the former chairman of the Federal Reserve for whom the rule was named — and other ***reformers*** *have rightly urged significant changes before the rule becomes final in mid-July. Regulators need to listen. Here are important changes that must be included: SPECIFICITY The law prohibits banks from 'proprietary trading' — securities' transactions where the profits and losses are sustained by the bank, not its customers. The sound premise is that taxpayers, who back the banks, should not be on the hook for speculation that mainly enriches traders and bank executives. So that banks can continue to serve customers, the law instructs regulators to allow certain forms of nonproprietary trading, including 'market making,' in which banks can buy and sell securities, but only for the purpose of facilitating transactions for clients. The proposed regulations fail to adequately distinguish between the two types of trades. That could allow banks to engage in proprietary trades under the guise of market making. …RISK, FAST AND SLOW To limit speculation, the proposed regulations advise banks to avoid short-term trading. But they fail to specifically ban broader trading strategies, like the high-frequency trading that was implicated in the infamous flash crash of 2010 and that has become a profitable source of banks' proprietary trading. Some* ***advocates*** *also warn that the regulations could still be read as allowing proprietary trading that is longer term in nature, including high-risk arbitrage trades that attempt to profit on price differences among similar assets. The regulations should clearly convey when and how arbitrage would represent impermissible proprietary trading. Otherwise, they could create a loophole for activity that is supposed to be banned. PENALTIES The proposed regulations lack clear, stiff penalties, beyond threats that banks found to be engaged in proprietary trading will be forced to stop. They also need to clearly define and punish conflicts of*

interest that arise when banks cross the line into proprietary trading while at the same time purporting to serve as a middleman for clients. The Volcker rule is not as complicated as banks so eagerly claim. What is complicated is standing up to the banks, who are determined to do everything they can to preserve their high profits, no matter the risk. President Obama, who endorsed the Volcker rule, needs to stand up for it. And regulators need to stand up to the banks and their lobbyists and implement the law." *Click here for more.*

Bernanke: 'Volcker Rule' Won't Be Set by July
Victoria McGrane (WSJ – subscription required)
February 29, 2012

"Regulators likely won't have the so-called Volcker rule ready by the July deadline set by the 2010 U.S. financial overhaul, Federal Reserve Chairman Ben Bernanke told lawmakers Wednesday. 'I don't think it'll be ready for July,' Mr. Bernanke said during an appearance before the House Financial Services Committee. 'We have a lot of very difficult issues to go through. So I don't know the exact date, but we'll obviously be working on it as fast as we can.' Perhaps the most controversial provision of the Dodd-Frank financial law, the Volcker rule will restrict banks from trading with their own money. The rule is named for former Fed Chairman Paul Volcker, who first pitched the idea of banning banks from making bets on financial markets, known as proprietary trading." *Click here for more.*

Click here to view/read testimony from the hearing entitled **"**Monetary Policy and the State of the Economy" and/or read the Fed's Monetary Policy Report to the Congress**.**

Merkley Calls on Fed to Not Delay Volcker Rule
Press release
March 1, 2012

"Oregon's Senator Jeff Merkley issued the following statement on the comments by Federal Reserve Chairman Ben Bernanke that regulators will probably delay implementation of the Volcker Rule. 'I am disappointed to hear Chairman Bernanke's comments that regulators will probably not meet the statutory deadline for implementing the Volcker Rule. Delaying the implementation of this rule, which builds an essential firewall between loan-making banks and high-stakes trading, is unwise. It leaves our economy exposed to the risks of the type of trading losses that paralyzed our economy in 2008." *Click here for more.*

Mike Konczal: Explainer: Why Do We Need a Volcker Rule?
Mike Konczal (The Nation)
February 28, 2012

"As the provisions of the Dodd-Frank financial regulatory law begin to go into effect, federal oversight agencies have issued the first draft of the "Volcker Rule." Named for former Federal Reserve chairman Paul Volcker, the Volcker Rule says that commercial banks shouldn't be able to make risky bets with federally insured deposits. The Roosevelt Institute's Mike Konczal talked to The Nation about what the Volcker Rule is and why it's necessary. Here's Mike: The Volcker Rule is best understood as an attempt to update the New Deal–era Glass-Steagall for the twenty-first century. Glass-Steagall called for a complete separation of investment banking—the activities of underwriting and dealing with stocks and debt—from deposit taking. Consistently weakened from the 1980s onward, Glass-Steagall was fully repealed in the late 1990s to allow Citicorp to merge with an insurance company." *Click here for more.*

Susan Antilla: Occupy Vigilantes Write New Volcker Rule Script
Susan Antilla (Bloomberg columnist)
February 29, 2012

"It isn't every day that a reporter gets to sit in on a high-stakes policy meeting in New York's financial district, but that's exactly what I did on a balmy evening in late February at 60 Wall Street, the U.S. headquarters of Deutsche Bank AG. No, the bank didn't lose its institutional marbles and give me clearance to scribble notes while its cognoscenti mapped out corporate strategy. The confab I dropped in on was taking place under potted palm trees in the bank's ground-floor public atrium, and the participants were 13 members of Occupy the SEC, a spinoff group of the Occupy Wall Street movement. I can't help but conclude that their plans for petitions, marches, op-eds and sit-down meetings with banking regulators will be inflicting Wall Street with a long, nasty attack of agita. It isn't every day that a reporter gets to sit in on a high-stakes policy meeting in New York's financial district, but that's exactly what I did on a balmy evening in late February at 60 Wall Street, the U.S. headquarters of Deutsche Bank AG. No, the bank didn't lose its institutional marbles and

give me clearance to scribble notes while its cognoscenti mapped out corporate strategy. The confab I dropped in on was taking place under potted palm trees in the bank's ground-floor public atrium, and the participants were 13 members of Occupy the SEC, a spinoff group of the Occupy Wall Street movement. I can't help but conclude that their plans for petitions, marches, op-eds and sit-down meetings with banking regulators will be inflicting Wall Street with a long, nasty attack of agita." Click here for more.

MF Global

Investigators Scrutinize MF Global Wire Transfers

Azam Ahmed and Ben Protess (DealBook/NYT)
February 26, 2012

"Federal investigators examining the final days at MF Global and how customer money went missing are poring over scores of wire transfers in and out of the brokerage firm, including the possible movement of $325 million that may have belonged to customers, according to people briefed on the matter. The suspicious transfer, which until now has not been made public, was first discovered in the early hours of Oct. 31, the day the firm filed for bankruptcy. Initially, the firm attributed a shortfall of more than $1 billion in customer money to an "accounting error," records show. But after hours of searching, executives acknowledged to regulators in the firm's offices in Chicago that the shortfall was real — and may have been caused in part by the $325 million transfer, said one of the people briefed on the matter." Click here for more.

Janet Tavakoli: MF Global: Crime, Comedy and the Cover-Up

Janet Tavakoli (Huffington Post)
February 28, 2012

"MF Global's October 2011 bankruptcy was the eighth largest bankruptcy by assets in the United States. James Giddens, the bankruptcy trustee, issued a press release on February 6 stating that his investigation found that money from customer accounts that was supposed to be segregated was improperly used to fund MF Global's daily activities. Improper transfers of customer money occurred regularly in amounts under $50 million before MF Global's bankruptcy. MF Global wasn't caught, because it put the money back before customers knew it was missing. On January 30, 2012 the Wall Street Journal did a hilariously bad job of reporting when its front page article stated that a 'person close to the investigation' said that as a result of chaotic trading in the week before MF Global's October 31 bankruptcy, customers' money 'vaporized.' Money doesn't vaporize. It's true that tracing money transfers can be tedious, but that's why we call it work. As for the Wall Street Journal*'s article, the editor should have made it vaporize. I was having breakfast with several traders at Chicago's East Bank Club. One trader read the passage aloud. The entire table burst out laughing. Then he got up and ceremoniously threw the paper in the trash. The entire table applauded." Click here for more.*

Commodity Speculation

John Wasik: Protect your investments from oil shocks

John Wasik (Bloomberg)
February 27, 2012

"He's back. The speculative trading beast is pushing up gasoline, diesel and heating oil prices, and scaring economy-watching investors in the process. There are a few defensive weapons to protect your portfolio. It's time to unsheathe them. Oil traders, producers, refiners and speculators, citing tensions in the Middle East that could cut supplies, have once again revived the monster. Crude prices hit a nine-month high recently to top $120 a barrel and gasoline has spiked by as much as 40 cents in some regions of the United States. The national average price of gas could hit $4 to $4.25 per gallon by April, according to Tom Kloza, chief oil analyst at Oil Price Information Service. The overall impact is felt everywhere. For every penny increase in the price of a gallon of gasoline, spending declines an estimated $1 billion throughout the United States, according to the energy research firm Cameron Hanover. At this point, that could kick the crutches out from under the wobbly U.S. economy. Wall Street and derivatives traders have taken to the courts to block new rules curbing speculation through 'position limits,' so prices remain free to go stratospheric again.… The last time we saw this speculative feeding frenzy was in 2008, when in July, amidst the meltdown in the credit and housing markets, speculators wildly ran up the price of crude oil to over $140 per barrel. Was the steroidal price explosion in 2008 due to increased demand or a significant reduction in supply? Trading volume was nearly 15 times world oil demand that year, according to research compiled by ***Americans for Financial***

***Reform**. It was as if commodity traders had opened up a mammoth casino and all made the same wager, constantly outbidding each other in a time of turmoil. 'The only short-term solution,' says Tyson Slocum, director of **Public Citizen**'s energy program, is to "rein in speculation." He notes that due to increasing global demand for oil and the difficulty in accessing crude cheaply, 'addressing speculation won't get us back to $2.50 a gallon, but it may shave 50 cents a gallon off current prices.'" Click here for more.*

Speculation In Crude Oil Adds $23.39 To The Price Per Barrel
Robert Lenzner (Forbes)
February 27, 2012

"If there were no speculation in oil futures on commodities exchange, the price of a barrel of oil might be as low as $74.61– not more than the present price of $108.00 a barrel. But, there is plenty of speculation as the possibility of strife in Iran, one of the globe's largest crude oil producers, pushes up the price of oil futures, which in turn impact the price of buying crude oil in the open market. As of February 23, 2012 "managed money" held positions in NYMEX crude oil contracts equivalent to 233.9 million barrels of oil– the equivalent of about one year's crude oil supply from Iran to Western European nations like France, Belgium, Greece, Italy and Spain. As Goldman Sachs believes that each million barrels of speculation in the oil futures market adds about 10 cents to the price of a barrel of oil, this means that in theory the speculative premium in oil prices due to speculation is as much as $23.39 a barrel in the price of NYMEX crude oil. In turn oil analysts believe that every $10 rise in the price of crude oil translates into a 24 cent rise in the price of gasoline at the pump. Using the 24 cent rise in the price of gasoline suggests that each dollar increase in a barrel of oil equals about $.56 per barrel." Click here for more.

Sen. Jeff Merkley: Rising gas prices due to 'commodity gamblers'
Sen. Jeff Merkley (D-Ore.) (The Hill)
March 1, 2012

"Here we are again. Gas prices are on the rise and citizens want to know why. They feel in their gut that the system is rigged. And in fact, they are right. The cost of gas is not going up because of decreased supply. The world oil supply rose by 1.3 million barrels per day in the last quarter of 2011. The cost of gas is not going up because of increased demand in America. Demand for oil in America is at an 11-year low. So what is going on? The answer in short is that the futures market for oil is being operated like a casino. Let me explain. Some folks use the futures market for oil as intended: to lock down a supply of oil at a specific price. Imagine, for example, that you run an airline, and you want to make sure that you have jet-fuel locked in at a reasonable price. But many folks who have no end use for oil also buy and sell it on the exchange. They are commodity gamblers, hoping to cash in on the upswing. And the resulting speculation bubble drives up the price of gas at the pump." Click here for more.

Minority Leader Pelosi's Remarks on Gas Prices, Speculation, and the CFTC
Transcript of Pelosi Press Conference
March 1, 2012

"What is happening about the price at the pump is very interesting. Supply is going up, demand is going down, and the price is going up. It is very contradictory. So how do you explain that? You explain it by recognizing that Republicans are protecting Wall Street speculators responsible for driving up the pain at the pump. Republicans blame inadequate U.S. production. You hear them say: "if only we could drill more in the U.S." But the facts are these: since President Obama became President of the United States, oil rigs have increased by four times. They have quadrupled since he became President, domestic oil drilling. In addition to that, if you take all of our rigs, gas and oil, they are more than all of the rest of the world combined. Did you know that? Four times, quadrupled, since the President became President in terms of oil rigs, gas and oil, more than the rest of the world combined. So we are exploiting domestic supply. Any inference to be drawn from what the Republicans are saying, that but for more oil drilling, the price at the pump would be lower, is simply not true. Supply is up, demand is down. You would think the price would come down. Enter speculation. Not the healthy speculation that is normal to the marketplace, but a speculation that can add 20 percent to the cost of a barrel of oil. The American people have to know that, because this has happened before. But what has made matters worse at this time is that, as the speculators are wreaking their havoc on the price of oil and gasoline at the pump in our country, the Republicans are standing in the way of enforcement of the Dodd-Frank provisions in the bill, which address speculation, even taking the initiative to address speculation to court as we sit here. So it is part of their Republican response: protect the Big Oil

subsidies to the tune of tens of billions of dollars for Big Oil; cripple the Commodities Future Trading Commission responsible for policing Wall Street price manipulation. According to a CFTC Commissioner, speculation, not a lack of production, raises the price at the pump by 22 percent, as I referenced." Click here for more.

Click here to view "Oil Speculation on Wall Street Devastates Household Budgets on Main Street by Dr. Mark Cooper, Consumer Federation of America's Director of Research.

Click here to view "How Wall Street Speculation is Driving Up Gasoline Prices Today" by Robert Pollin and James Heintz at the Political Economy Research Institute at the University of Massachusetts, Amherst.

International

Hushed Up: Secret Panel Holds Fate of Greek CDS
Katy Burne and Tom Lauricella (WSJ – subscription required)
February 29, 2012

"A secretive panel of representatives from 15 large banks, hedge funds and investment houses holds the key to potential multibillion-dollar payouts to investors as a Greek default looms. The group meets Thursday morning to rule whether Greece's debt restructuring should trigger payments on insurance-like contracts known as credit-default swaps, or CDS. The impact of their decision will reverberate beyond the narrow confines of the Greek debt market and could affect investors across other European bond markets and the holders of $2.9 trillion in CDS on government debt around the world." Click here for more.

Eurozone delays Athens rescue funds
Peter Spiegel in Brussels, Kerin Hope in Athens and Richard Milne and David Oakley in London (FT – registration required)
March 1, 2012

"Eurozone members have delayed approval of more than half of the €130bn bail-out for Greece after deeming that Athens has yet to meet all the terms set as the price of a second rescue. However, finance ministers from the 17-country currency bloc meeting in Brussels signed off on funds to underpin a €206bn debt swap to cut the value of the Greek bonds held by private investors." Click here for more.

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Foreclosures and Housing

Bowie woman protests outside Freddie Mac, keeps house
Pamela Brown (WJLA – DC)
February 28, 2012

"The on-going economic struggles many are facing were at the center of a protest outside Freddie Mac's McLean headquarters Tuesday. At least 25 Occupy DC protesters gathered outside the office in support of Bernita Jones, a local resident of Bowie who was on the verge of losing her home of 14 years. Jones has been struggling to stay in her home ever since she was laid off in 2009. She says she fell behind on her mortgage payments and worked out a loan modification deal with Bank of America. 'I gave them a lump sum down. Back end of mortgage,' Jones said." Click here for more.

Arturo De Los Santos Continues To Resist Freddie Mac-Led Eviction From Re-Occupied Home
Gabriel Lerner (Huffington Post)
February 27, 2012

"Almost a week after they were scheduled to be evicted forcibly from their home, the De Los Santos family is still living in the Riverside house they bought in 2002 -- and then re-occupied last December -- surrounded by a small group of sympathizers from groups like Occupy LA and Occupy Riverside. The family is requesting that government-owned corporation Freddie Mac renegotiate their mortgage, which they feel was foreclosed upon prematurely, and allow them to pay their debt. 'I have the money to pay,' said De Los Santos to The

Huffington Post. But according to Freddie Mac, there is no mortgage or loan to be modified. … Today, the De Los Santos family is part of a group of activists led by [the Alliance of Californians for Community Empowerment (ACCE)](), an organization that confronts Freddie Mac and Fannie Mae over their roles in the foreclosure crisis. The De Los Santos family story was [reported by The Huffington Post last Tuesday](), when a five-day notice to vacate their home, issued by the Riverside Sheriff's Department, expired. Since then, they and their supporters have been waiting for the expected forcible evacuation." [Click here for more.]()

Co-Chairs Grijalva, Ellison Call for Justice for Underwater Mortgage Holders
CPC press release
February 29, 2012

"Reps. Raúl M. Grijalva and Keith Ellison, the co-chairs of the Congressional Progressive Caucus (CPC), today joined advocates in New York, Washington, D.C., and Southern California in calling on Edward DeMarco, the acting director of the Federal Housing Finance Agency, which oversees Fannie Mae and Freddie Mac,to write down mortgage principal amounts for struggling homeowners. 'Twelve million Americans owe more money than their home is worth,' Grijalva and Ellison said. 'The American people have been duped, lied to, and kicked out of their homes, and now it's time for Mr. DeMarco to stand up and do right by them.' Combined, Freddie Mac and Fannie Maeown or guarantee more than half of allmortgages in the country. DeMarco has faced calls for his resignation for refusing principal reduction, sometimes called "debt forgiveness," for Freddie and Fannie mortgage holders." [Click here for more.]()

The following members also sent out press releases: Rep. Charles Rangel, Rep. Jesse L. Jackson, Jr., Rep. John Conyers, Jr., Rep. Luis V. Gutierrez, Rep. Jerrold Nadler, Rep. Dennis J. Kucinich, Rep. Wm. Lacy Clay, Rep. Barbara Lee, Rep. Janice Hahn, Rep. Earl Blumenauer, Rep. Judy Chu, and Rep. John Lewis.

Pressure Grows on Fannie and Freddie to Cut Principal on Loans
Shaila Dewan (NYT)
February 27, 2012

"California's attorney general, Kamala D. Harris, has ratcheted up the pressure on Fannie Mae and Freddie Mac to allow debt reduction on their home loans by asking the mortgage finance giants to halt foreclosures in the state. In a letter to Edward J. DeMarco, the regulator who controls Fannie and Freddie, Ms. Harris asked that foreclosures be suspended until his agency, the Federal Housing Finance Agency, completes a promised review of its policy forbidding debt reduction for delinquent homeowners who owe more than their home is worth." [Click here for more.]()

Cummings gets help in DeMarco fight
Joseph Williams (Politico)
March 1, 2012

"Rep. Elijah Cummings's fight to help struggling homeowners has new allies: officials from across the country and within President Barack Obama's own Cabinet, helping him turn up the pressure on Edward DeMarco, the overseer of government-backed mortgage giants Fannie Mae and Freddie Mac. And the outcome could significantly shape up the White House's admittedly spotty record on the housing crisis. The stakes are high: As the housing market goes, so goes the economy, and the 2012 presidential election expected to turn largely on whether voters believe Obama has turned things around. For months, Cummings has been demanding DeMarco offer debt reduction for homeowners struggling to pay their mortgages, only to be rebuffed by the argument from the Federal Housing Finance Agency conservator that this could endanger the ability of Fannie and Freddie to stay solvent and avoid another $130 billion government bailout. But now, with a range of supporters that includes California Attorney General Kamala Harris and Housing Secretary Shaun Donovan, the Baltimore Democrat is aiming to beat DeMarco's resistance to principal reduction — a refinancing strategy that involves Fannie and Freddie forgiving part of a homeowner's debt. 'He and he alone stands in the way of hundreds of thousands of people, if not millions, being able to [literally] get a new lease on life,' Cummings told POLITICO in a recent interview." [Click here for more.]()

FHFA chief DeMarco on defensive over refinancing
Greg Robb, MarketWatch
February 28, 2012

"The Federal Housing Finance Agency, which oversees Fannie Mae and Freddie Mac, is already playing a leading role in helping homeowners avoid foreclosure, in contrast to how it is often portrayed, the agency's acting chief said Tuesday. Edward DeMarco's comments came in his testimony to the Senate Banking Committee, where he was grilled about FHFA policy forbidding debt forgiveness, or principal reduction, for homeowners behind on their payments and whose homes are underwater. California's attorney general, Kamala Harris, has asked FHFA to suspend foreclosures until the agency completes a review of this stance. Read 'California AG seeks foreclosure suspension' DeMarco did not address Harris's letter, but said that FHFA favors principal forbearance rather than principal reduction. Under forbearance, a portion of the debt is suspended until the end of the mortgage or until the house is sold. DeMarco called principal reduction the least effective tool to assist in the effort to set up an affordable monthly mortgage payment for troubled borrowers. Better options include cutting the interest rate on the mortgage, extending the term of the loan, or forbearance, he said. Click here for more.

Click here to view/read testimony from Senate Committee on Banking, Housing, and Urban Affairs hearing entitled State of the Housing Market: Removing Barriers to Economic Recovery, Part II.

Bloomberg Editors: Housing Chief Should See the Upside of Forgiving Debts
Bloomberg Editors
February 29, 2012

"Edward DeMarco, acting director of the Federal Housing Finance Agency, was back on Capitol Hill this week explaining to lawmakers why he can't -- or won't -- allow mortgage giants Fannie Mae and Freddie Mac to forgive the debts of homeowners at risk of defaulting on their loans. DeMarco argues that debt forgiveness goes beyond his authority and would result in untenable losses for the mortgage giants. This is a curious position given that he is a presidential appointee and everyone from President Barack Obama to lawmakers to Federal Reserve Chairman Ben S. Bernanke has called on him to go ahead and do it. Economists and housing analysts say debt relief is essential to preventing a death spiral in which rising foreclosures and falling housing prices reinforce each other. It's no secret the housing market is dragging down the economy. Weak housing prices are hampering construction, which typically powers post-recession recoveries, and making consumers feel too poor to spend. Much of the problem stems from foreclosures, which continue to drag down home prices. New data this week showed that as of December, prices in 20 U.S. cities stood at their lowest since the housing crisis began. Fannie and Freddie, which own or guarantee 60 percent of outstanding mortgages, are a critical part of any solution." Click here for more.

Kevin Wack: Why FHFA Is Wrong on Principal Forgiveness
Kevin Wack (American Banker – subscription required)
February 27, 2012

"What do the federal bureaucrats who run Fannie Mae and Freddie Mac know that private mortgage lenders don't? Private lenders apparently believe that when homeowners fall behind on their mortgage payments, sometimes their loan principal should be reduced. In the third quarter of 2011, 18% of homeowners who received a modification on a loan held in a bank's portfolio saw their principal cut. Banks are not doing charity work here. They've run the numbers, and they've concluded that under some circumstances, what makes the most sense for their own bottom lines is to grant a principal reduction. As Columbia Business School professor Christopher Mayer said, referring to banks granting principal reductions, 'I believe they like profit.' Yes, principal forgiveness will encourage a certain percentage of borrowers to stop paying their mortgages in the hope that they, too, will get a break from their lender. But the borrowers who get their principal reduced will be more likely to keep paying, especially if they are close to building equity in their homes again. And lenders earn an awful lot more money from a mortgage that gets paid off than they do from a foreclosure sale. 'Every time I talk to someone in the private sector, they say principal reductions are incredibly effective,' Mayer told me. The Federal Housing Finance Agency, which has been making key business decisions at Fannie and Freddie since they became wards of the state in 2008, takes a different view." Click here for more.

Jon Healey: Fannie and Freddie, penny wise and pound foolish?
Jon Healey (LA Times)
February 29, 2012

"Edward J. DeMarco, the federal regulator overseeing Fannie Mae and Freddie Mac, isn't known for moving quickly in response to the foreclosure crisis. But he wasted no time answering California Atty. Gen. Kamala Harris' request that Fannie and Freddie suspend foreclosures in this state until his office completes a 'thorough, transparent analysis' of mortgage modifications based on partial debt write-downs. On Monday, the next business day after Harris sent her letter, DeMarco gave her the thumbs down. His response, which Harris' office released Wednesday, contended that numerous foreclosure delays and moratoriums 'have already taken place, each adding to the losses shifted to American taxpayers and further destabilizing neighborhoods.' He went on to argue that Fannie and Freddie's foreclosure-avoidance efforts have allowed more than 85% of the borrowers helped to keep their homes. Yes, but for how long?" Click here for more.

Details of Foreclosure Settlement Emerge in Wells' SEC Filing
Maria Aspan and Jeff Horwitz (American Banker – subscription required)
February 28, 2012

"Wells Fargo & Co. unveiled specific new terms in the national mortgage servicing settlement on Tuesday, providing the most detailed summary to date of what concessions banks did and did not win from federal and state officials. Those officials still have not made the final terms of the settlement public, and Wells on Tuesday referred to the deal as a 'settlement in principle.' The final deal is expected to release the five largest mortgage servicers from certain claims relating to their servicing and mortgage origination practices. In its annual filing with the Securities and Exchanges Commission, Wells Fargo laid out some areas where the settlement will not indemnify it from legal risks. Specifically, certain states and agencies appear to have retained rights that others gave up. The federal release for origination-related conduct 'depends on which agency and which law is involved,' Wells said in its annual report." Click here for more.

Banks Win Reprieve on Home Equity Loans in Settlement
Kathleen M. Howley (Bloomberg)
February 27, 2012

"Bank of America Corp. (BAC), Wells Fargo & Co. (WFC) and three other banks that settled a nationwide probe of foreclosure practices this month will get a bonus from the deal: protection for $308 billion of home-equity loans they hold. The banks that service about half the nation's mortgages on behalf of investors will be able to share losses on their junior loans with bondholders and get credit toward the cash they pledged to spend in the settlement, said an Obama administration official involved in drafting the $25 billion agreement. Second liens would typically be wiped out before senior-mortgage investors take a loss, said Laurie Goodman, managing director at Amherst Securities Group LP in New York. It's 'a gift to the banks, at investors' expense,' said Goodman, a member of the Fixed Income Analysts Society's Hall of Fame. 'A proportionate write-down of the first and second represents a reversal of normal lien priority.'" Click here for more.

JPMorgan, BofA Strain for Qualified Help on Foreclosures
Donal Griffin in New York and Dakin Campbell (Bloomberg BusinessWeek)
February 28, 2012

"JPMorgan Chase & Co. and Bank of America Corp. told regulators they were straining last year to hire and keep enough qualified people who could clear a backlog of foreclosure complaints. JPMorgan, the largest U.S. bank by assets, vowed to expand training after its review found that the mortgage-servicing unit 'struggled to absorb rapid staffing growth and, in many cases, hired representatives with little or no home lending industry experience.' Bank of America, ranked second, said compliance operations were understaffed as of midyear 2011 and that some people lacked the skills or stature needed to do their jobs. The assessments, released yesterday by the Federal Reserve, were contained in action plans submitted after U.S. banks were ordered last April to clean up foreclosures and mortgage servicing. The order followed a deluge of borrower complaints about lost paperwork, broken promises and missed deadlines that cost some of them their homes. The accord compels the 14 largest servicers to repay homeowners for any losses tied to the errors." Click here for more.

Bank of America charged with discrimination of homeowners with disabilities
Vicki Needham (The Hill)
February 27, 2012

"A federal housing agency is investigating whether one of the nation's largest banks requested additional and unnecessary information from homebuyers with disabilities to qualify for loans. The Housing and Urban Development Department (HUD) said Monday that it is charging Bank of America with discriminating against homebuyers with disabilities, alleging that the bank 'imposed unnecessary and burdensome requirements' by asking some borrowers for proof of their disabilities from their physicians and continuance of Social Security income before approving loans, after first denying them." Click here for more.

Click here to view the HUD press release.

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Executive Compensation

Executive Pay Votes Spur Shifts in Policies
Joann S. Lublin (WSJ – subscription required)
March 1, 2012

*"Shareholder votes on executive pay are starting to change the shape of compensation at some big companies. A group of institutional investors recently joined forces to seek executive-pay and governance changes at 10 companies where nonbinding "say on pay" votes narrowly passed last year. The informal coalition, led by unions and public pension funds, already has persuaded Allstate Corp., Northern Trust Co. and five other companies to ban "gross-up" payments to executives. Those payments cover taxes executives owe on benefits provided by their employer. Coalition members also withdrew 2012 shareholder resolutions opposing pay policies after a few companies required top managers to hold their company's stock longer and put limits on accelerated vesting of equity grants after a takeover. 'The changes demonstrate that say-on-pay votes are working to make companies more responsive to shareholder concerns about runaway CEO pay levels,' said Brandon Rees, deputy director for the **AFL-CIO**'s Office of Investment." Click here for more.*

NY State Comptroller: Wall Street Bonuses Declined in 2011
Office of the New York State Comptroller – press release
February 29, 2012

"Cash bonuses paid to New York City securities industry employees are forecast to decline by 14 percent to $19.7 billion during this year's bonus season, according to an estimate released today by State Comptroller Thomas P. DiNapoli. Click here to view a video of Comptroller DiNapoli discussing this year's Wall Street bonus report *'Cash bonuses were down in 2011, reflecting a difficult year on Wall Street,' DiNapoli said. 'Profits were down sharply and securities firms in New York City resumed downsizing in the second half of the year. The securities industry, which is a critical component of the economies of New York City and New York State, faces continued challenges as it works through the fallout from the financial crisis and adjusts to regulatory reforms.' … Compensation consumed a greater share of net revenue in 2011. The member firms of the New York Stock Exchange devoted nearly 52 percent of their net revenue to compensation (e.g., salary and bonuses for their broker/dealer operations) during the first three quarters of 2011, compared with 47 percent in all of 2010 and 36 percent in 2009." Click here for more.*

Blackstone CEO gets $213.5 million in 2011 pay, distributions
Paritosh Bansal and Greg Roumeliotis (Reuters)
February 28, 2012

"Blackstone Group LP (BX.N) co-founder Stephen Schwarzman got about $213.5 million in salary, share of profits and cash distributions from his holdings in the world's largest private equity firm in 2011, up 33 percent from the previous year. Schwarzman, 65, who co-founded Blackstone in 1985, got most of his payout from dividends on his 21 percent ownership of the private equity firm and realized investments from funds predating the company's IPO in 2007. Schwarzman's salary was only $350,000, unchanged from last year, and he has not taken any bonuses since the company went public, according to a regulatory filing on Tuesday. The structure of Schwarzman's pay is intended to align his interests with Blackstone's investors, with the logic being that he makes money when his investors do." Click here for more.

Wall St. Bonus Drop Means Trading Aspen for Discount Cereal
Max Abelson (Bloomberg)
February 29, 2012

"Andrew Schiff was sitting in a traffic jam in California this month after giving a speech at an investment conference about gold. He turned off the satellite radio, got out of the car and screamed a profanity. 'I'm not Zen at all, and when I'm freaking out about the situation, where I'm stuck like a rat in a trap on a highway with no way to get out, it's very hard,' Schiff, director of marketing for broker-dealer Euro Pacific Capital Inc., said in an interview. Schiff, 46, is facing another kind of jam this year: Paid a lower bonus, he said the $350,000 he earns, enough to put him in the country's top 1 percent by income, doesn't cover his family's private-school tuition, a Kent, Connecticut, summer rental and the upgrade they would like from their 1,200-square- foot Brooklyn duplex." Click here for more.

James Kwak: Some Things Never Change
James Kwak (Baseline Scenario)
February 28, 2012

"That picture is average total annual compensation for top-five named executive officers at U.S. public companies from 2008 to 2010. (It's from a blog post by Carol Bowie of MSCI, which used to be called Morgan Stanley Capital International.) Over those two years, total annual compensation increased by 37% for all companies and by 54% for companies in the S&P 500. Basically, while bonuses and severance packages have fallen or grown slowly, that effect has been swamped by much bigger stock and option packages. Which is evidence that if you try to rein in some of the more egregious aspects of executive compensation, the executives, their friends on the compensation committee, and their hired guns at the compensation consulting firms will figure out ways to keep the party going. It's possible that 2008 was a low year for executive compensation because of the financial crisis and recession, so this is just rapid growth from a low base." Click here for more.

Schumer Wall St. Backers Targeted in Tax Fairness Debate
Heidi Przybyla (BusinessWeek)
February 27, 2012

"The Democratic Party's tax-fairness campaign theme pits Senator Chuck Schumer of New York, among the chief architects of that message, against some of his most influential constituents and top campaign donors. Democrats are renewing their bid to end the carried interest tax break for private-equity managers after Republican presidential candidate Mitt Romney's 2010 return, released last month, showed he used it to help limit his effective tax rate to 13.9 percent. …Schumer, the U.S. Senate's third-ranking Democrat, is a leading voice for his party heading into the November election, pledging to 'focus like a laser on the middle class.' A third- term senator, he serves on the Finance Committee, which has authority over tax policy. Schumer shepherds his party's messaging on a range of issues including economic stimulus and election themes that square off with the Republican Party." Click here for more.

Sen. Carl Levin: Senate Floor Speech on Facebook and the Stock Option Tax Loophole
Sen. Carl Levin
February 29, 2012

"Mr. President, there has been a great deal of conversation recently about the need to close tax loopholes. This is a welcome development for those of us who have gone after these loopholes for years. It is particularly timely as the public is focusing more and more on how tax loopholes distort economic incentives and often benefit the wealthiest among us at the expense of most U.S. taxpayers. Last week, President Obama released a framework for business tax reform that took aim at many corporate tax loopholes. I look forward to working with the administration and with my colleagues in the Senate to make real reform a reality — reform that brings greater fairness to the tax code, eliminates incentives for moving jobs and assets overseas, restores revenue lost to unjustified tax loopholes, and helps us reduce the deficit without damaging vital programs for education, transportation, health care and national security. One recent and very public announcement illustrates dramatically our tax code's distortions and the need for reform. At the center of this story is Facebook and its founder and CEO, Mark Zuckerberg. Mr. Zuckerberg and his company have become a remarkable American business success story. As part of that success, Facebook is in the process of making its initial public offering of stock. The public documents Facebook is required to file as part of that offering tell another compelling story, about one of our tax code's unjustified corporate

loopholes. According to its filings, when Facebook goes public, Mr. Zuckerberg plans to exercise options to purchase 120 million shares of stock for 6 cents a share. Mr. Zuckerberg's shares, obviously, are going to be worth a great deal more than 6 cents, a total of about $7 million; they will apparently be worth more than 600 times as much, something in the neighborhood of $5 billion." *Click here for more.*

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Student Lending

U.S. House Votes to Ease Restrictions on For-Profit Colleges
Derek Wallbank (Bloomberg)
February 28, 2012

"The House voted to lift some federal restrictions on U.S. aid to students who attend for-profit colleges and universities. House members in a 303-114 vote today passed the bill, opposed by President Barack Obama's administration, which would cancel an Education Department requirement that college campuses receive state authorization to participate in federal student loan and aid programs. The rules are scheduled to take effect in July 2014. Under current Education Department regulations, a college's satellite campus in another state can participate in federal aid programs, without state authorization, as long as its home campus has been accredited. Apollo Group Inc.'s (APOL) University of Phoenix, the largest for-profit university in the U.S., has used that provision for schools in California, Colorado, Hawaii and New Mexico, according to its annual report issued Aug. 31, 2011." *Click here for more.*

Student Loan Debt Is Crushing The American Dream
Eric Pianin (The Fiscal Times)
March 1, 2012

"Megan Curtis put herself through college and graduate school by working part-time jobs and taking out substantial student loans. The southern California native dreamed of a career in international affairs, but she struggled for more than a year to find a job after obtaining a master's degree from George Washington University in 2006. Saddled with $82,000 in college loans and no immediate full-time job prospects, Curtis had to defer payment on her loans during a prolonged job search in Washington, D.C. Finally, she landed a job with a consulting firm as an international trade analyst. But with an entry-level salary of $60,000 to $70,000 a year, she has had to stretch her paycheck to cover her rent and living expenses and the $600 monthly installment on her college loans." *Click here for more.*

Student Loan Debt Bomb Threatens U.S. Housing Market
Brian O'Connell (Main Street)
February 28, 2012

"The housing crisis of recent years has made Americans more determined than ever to cut their mortgage debt, and a report from the Federal Reserve Bank of New York says they're doing a good job of it. Despite this good news though, there is what could be a ticking time bomb on the horizon: The next generation of college students struggling to stay above water on their student loan obligations." *Click here for more.*

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FTT

National Nurses United: "Robin Hood Tax" Echoing Worldwide
National Nurses United press release
February 28, 2012

"Thousands of Nurses, Activists to March at G8 May 18, Call for Tax on Wall Street, Challenge Austerity Agendas RNs to be Joined by Healthcare, Community, Global Activists in Chicago to Call for Wall Street Speculation Tax as Starting Point to Address Economic Crisis Nurses from across the U.S., joined by healthcare, labor and other community activists, as well as activists from G-8 nations, will hold a large march and rally Friday, May 18 to greet the G-8 summit of world leaders in Chicago, National Nurses United announced today." *Click here for more.*

The financial transaction tax: Panacea, pathogen, or just a bitter pill?
Steve Zwick (Futures Magazine)
February 28, 2012

"Argentina and China have done it for years, with little apparent harm to their economies. The French say they're doing it too, and they want the Germans to bring the rest of Europe along. The Brits have been doing something similar for centuries, but they aren't going to join this one. In the United States, President Barack Obama is noncommittal on a transaction tax (despite reports to the contrary), but Iowa Senator Tom Harkin and Oregon Representative Peter DeFazio – both Democrats – have embraced the idea of doing it here. We're talking, of course, about the imposition of a financial transaction tax (FTT) on trades in financial instruments. The specifics are vague, but most proposals are in the neighborhood of a 0.25% tax on equities and a 0.01% tax on the notional value of derivatives, with the money going into a pot to cover everything from regulatory costs to the next bailout of the financial sector to remuneration for the last one. Various FTTs have been either proposed or implemented in more than 20 countries to date – most recently in France, where President Nicolas Szarkozy has promised to unilaterally implement one beginning in August." Click here for more.

Swedish Leader Reiterates Resistance To EU Financial Transaction Tax
Charles Duxbury, Dow Jones Newswires
March 1, 2012

"Sweden's prime minister Wednesday reiterated Sweden's opposition to a tax on financial transactions which has been proposed by a number of European Union members states. 'We are very doubtful about such a tax,' Fredrik Reinfeldt told a European affairs committee here in a briefing ahead of the coming EU summit in Brussels. Reinfeldt acknowledged that risk taking in the financial sector is a problem and actors in the sector must bear their share of the costs of the recent financial crisis." Click here for more.

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Investor Protection

Cantor 'JOBS' Package Includes McCarthy, Schweikert Bills
Jonathan Strong (Roll Call)
February 25, 2012

"House Majority Leader Eric Cantor's forthcoming economic proposal designed to boost capital formation for small businesses will include a series of bills that carry broad bipartisan support, according to a partial summary of the legislation. The summary shows bills introduced by Republican Reps. Stephen Fincher (Tenn.), Kevin McCarthy (Calif.), Patrick McHenry (N.C.) and David Schweikert (Ariz.) are part of the package, dubbed the Jumpstart Our Business Startups Act. Cantor is also crafting a 20 percent tax cut for small businesses. …Cantor's JOBS package includes H.R. 3606, a bill introduced by Fincher and reported out of the Financial Services Committee on Feb. 16 by a vote of 54-1. The bill would phase in financial reporting regulations over five years after a company's initial public offering. …The bill would exempt these newly formed companies from a requirement in Sarbanes-Oxley Act for an outside auditor to attest to the company's internal controls and procedures, exempt an annual vote by stockholders on executive compensation arrangements and ease requirements on these companies to provide audited financial statements. …A second bill in Cantor's proposal, introduced by McCarthy, would eliminate a regulatory ban on small businesses from advertising to solicit investors. That measure passed the House Nov. 3 by a vote of 413-11. The third bill in Cantor's proposal, introduced by McHenry, eliminates restrictions on the type of investors who can provide equity capital to small businesses. Currently, regulations only permit "accredited" individuals to invest in some circumstances. The bill passed the House 407-17 on Nov. 3." Click here for more.

Click here to view AFR's letter opposing HR 2308, HR 1838, and HR 3606, expressing concerns about three proposed bills that would undermine transparency and accountability in the financial system.

U.S. Senate pushes bills to boost small business growth
Alexandra Alper (Reuters)
February 28, 2012

"Senate majority leader Harry Reid announced plans on Tuesday to push forward legislation to spur capital formation for small businesses, an issue that has spawned a rare showing of bipartisanship. The Nevada Democrat said the Senate Banking Committee would hold a hearing on small business growth next week and he applauded the House of Representatives for its own progress on related legislation. 'Too many Americans are still hurting financially or struggling to find work,' the Nevada Democrat said in remarks delivered on the Senate floor. 'And it is crucial for Congress continue efforts to create jobs and rebuild our economy.'" Click here for more.

Click here to view AFR's letter to members of the Senate Banking Committee opposing anti-investor "capital formation" legislation.

Sallie Krawcheck: Money-Market Funds Aren't What You Think
Sallie Krawcheck (WSJ op-ed)
February 28, 2012

"The Securities and Exchange Commission is reportedly finishing a proposal to increase regulation on money-market funds, the $2.7 trillion industry that provides corporations with an important short-term funding source and individuals and institutions with an alternative to traditional bank deposits. The SEC's aim is to reduce the risk of a meltdown in the event of another 2008-style panic. Its proposal is said to include mandating capital backing for money funds and ending their convention of reporting assets at a fixed $1 net asset value—instead having it 'float' to represent the funds' underlying value, as with other mutual funds. The industry opposes additional regulation, arguing that earlier SEC actions are sufficient. But meaningful risk—and significant misunderstanding of this risk—remains in this business, and additional reforms can help. … Consider the perspective of the investor. … They don't know that, notwithstanding SEC actions since 2008, their funds may not be fully safe. They don't know that as recently as last summer, the largest money funds averaged 45% of their investments in European bank paper, with one major player at just under 70%. They don't know that, were the investments to falter, half of the top 10 money-fund providers are not large and presumably well-capitalized banks but instead asset managers that don't have anything like banks' capital resources." Click here for more.

SIPC Announces New Acting Chair of its Board of Directors
Press release
February 27, 2012

"The Securities Investor Protection Corporation (SIPC), which maintains a special reserve fund mandated by Congress to protect the customers of insolvent brokerage firms, today announced the withdrawal of Chairman Orlan Johnson from its Board of Directors. He will be succeeded by Sharon Bowen, who previously served as vice chair of the SIPC board, who will serve as acting chair." Click here for more.

Big Banks, Money, and Politics

Wall Street Money Provides Large Chunk Of Romney's Super PAC Intake
Grace Rauh (NY1)
February 28, 2012

"Money is always a major player in politics, but the advent of Super PACs has spawned a new breed of campaign contributor, the 'super donor.' There is no legal limit to the amounts they can give, which means a lot of eye-popping checks this campaign season. Here in New York, the sums raised are impressive. But perhaps even more noteworthy is the fact that nearly all of the super PAC money collected from the five boroughs is heading to one group in particular: the PAC backing Mitt Romney." Click here for more.

Mitt Romney Super PAC's Big Donors Could Reap Many Dividends
Dan Froomkin (Huffing Post)
March 1, 2012

"One thing's for certain about most of the biggest donors bankrolling the main pro-Mitt Romney super PAC: They are canny investors. Private equity or hedge fund moguls make up more than half of the top donors to Restore Our Future -- the PAC created by former Romney aides to supplement his official campaign with unlimited contributions. Six of them have given $1 million or more each. The size of their checks, however, is dwarfed by what's at stake for them in November. There may be no other group whose future earnings are more in play, especially should President Barack Obama and congressional Democrats pursue their tax agenda more aggressively and effectively in a second Obama term. If things don't go their way, they could be hard hit by increased taxes on the rich, a higher tax rate on investment income, and regulations that could expose their secrets and limit their leverage. Most likely of all, however, they could see a sustained attack on one of the most blatant and exclusive loopholes in the tax code -- something called "carried interest" -- that happens to save them billions of dollars a year." Click here for more.

Obama Seeks Wall Street Campaign Money
Hans Nichols (Bloomberg)
March 2, 2012

"President Barack Obama told a gathering of Wall Street donors that Democrats can't unilaterally stop accepting money from big-dollar political- action committees, according to two people at the event. Obama told about 80 donors at a fundraising dinner in New York yesterday that he didn't want to run for re-election at a disadvantage to Republicans, according to the people, who described the president's comments on condition of anonymity because the event was private. Obama was holding his first fundraiser targeting the financial services industry since he asked Congress in his 2013 budget to increase taxes on the wealthy and impose $61 billion in new fees on banks. He told attendees at the $35,800-a-plate fundraiser that he is aware his administration has lost some of its popularity among bankers and hedge fund managers." Click here for more.

Fact Check: Is The Obama White House 'Full Of Wall Street Executives'?
Eugene Kiely, with Scott Blackburn, Lalita Clozel and Dave Bloom (NJ Today)
March 1, 2012

"A conservative super PAC exaggerates the number of "Wall Street executives" in the Obama White House. In a major TV ad buy, the American Future Fund lists 27 people it claims are part of "Obama's Wall Street Inner Circle." But the ad is either flat wrong or greatly exaggerated in more than half of those cases. It's true that Obama raised a record amount of money from Wall Street for his 2008 presidential campaign, as the ad says. But Obama has had a rocky relationship with Wall Street executives since taking office — especially since signing legislation in the summer of 2010 that imposed tougher regulations on the industry." Click here for more.

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Other

Tim Geithner: Financial Crisis Amnesia
Tim Geithner (WSJ column)
March 1, 2012

"Four years ago, on an evening in March 2008, I received a call from the CEO of Bear Stearns informing me that they planned to file for bankruptcy in the morning. Bear Stearns was the smallest of the major Wall Street institutions, but it was deeply entwined in financial markets and had the perfect mix of vulnerabilities. It took on too much risk. It relied on billions of dollars of risky short-term financing. And it held thousands of derivative contracts with thousands of companies. These weaknesses made Bear Stearns the most important initial casualty in what would become the worst financial crisis since the Great Depression. But as we saw in the summer and fall of 2008, these weaknesses were not unique to that firm. In the spring of 2008, more Americans were starting to face higher mortgage payments as teaser interest rates reset and they could no longer refinance out of them because the value of their homes stopped rising—the leading edge of a wave of foreclosures and a terrible fall in house prices. By the time Bear Stearns failed, the recession was

then already several months old, but it would of course get much worse in coming months. These problems were partly the result of amnesia. There was no memory of extreme crisis, no memory of what can happen when a nation allows huge amounts of risk to build up outside of the safeguards all economies require. The failure to modernize the financial oversight system sooner is the most important reason why this crisis was more severe than any since the Great Depression, and why it was so hard to put out the fires of the crisis. The failure to reform sooner is why the crisis caused gross domestic product to fall at an annual rate of 9% in the last quarter of 2008; why millions of Americans lost their jobs, homes, businesses and savings; why the housing market is still so far from recovery; and why our national debt has grown so significantly. For all these reasons, President Obama asked Congress to pass tough reforms quickly, before the memory of the crisis faded. The Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law by the president on July 21, 2010, put in place safer and more modern rules of the road for the financial industry. Yet only four years after the financial crisis began to unfold, some people seem to be suffering from amnesia about how close America came to complete financial collapse under the outdated regulatory system we had before Wall Street reform. …We cannot afford to forget the lessons of the crisis and the damage it caused to millions of Americans. Amnesia is what causes financial crises. These reforms are worth fighting to preserve." Click here for more.

Fed Shrugged Off Warning, Let Banks Pay Shareholders Billions
Jesse Eisinger (ProPublica)
March 2, 2012

In early November 2010, as the Federal Reserve began to weigh whether the nation's biggest financial firms were healthy enough to return money to their shareholders, a top regulator bluntly warned: Don't let them. 'We remain concerned over their ability to withstand stress in an uncertain economic environment,' wrote Sheila Bair, the head of the Federal Deposit Insurance Corp., in a previously unreported letter obtained by ProPublica. The letter came as the Fed was launching a "stress test" to decide whether the biggest U.S. financial firms could pay out dividends and buy back their shares instead of putting aside that money as capital. It was one of the central bank's most critical oversight decisions in the wake of the financial crisis. 'We strongly encourage' that the Fed 'delay any dividends or compensation increases until they can show' that their earnings are strong and their assets sound, she wrote. Given the continued uncertainty in the markets, 'we do not believe it is the right time to allow transactions that will weaken their capital and liquidity positions.' Four months later, the Federal Reserve rejected Bair's appeal." Click here for more.

Phil Angelides: Will Wall Street Ever Face Justice?
Phil Angelides (NYT op-ed)
March 1, 2012

"Last week, Attorney General Eric H. Holder Jr. proclaimed in a speech that when it comes to fighting financial fraud, the Obama administration's 'record of success has been nothing less than historic.' Such self-congratulation is not only premature, but it also reveals a troubling lack of understanding about what is required to win the war against financial wrongdoing. Four years after the disintegration of the financial system, Americans have, rightfully, a gnawing feeling that justice has not been served. Claims of financial fraud against companies like Citigroup and Bank of America have been settled for pennies on the dollar, with no admission of wrongdoing. Executives who ran companies that made, packaged and sold trillions of dollars in toxic mortgages and mortgage-backed securities remain largely unscathed. … Phil Angelides, a former state treasurer of California, was the chairman of the Financial Crisis Inquiry Commission." Click here for more.

Insider Trading In Congress: New Regulations To Open Window Into Transactions
Larry Margasak (AP)
February 28, 2012

"Congress is about to open a new, real-time window into its members' stock trades, real estate deals and other financial transactions, allowing anyone to view the information online within weeks of the investments. The frequent reporting requirement also will cover top congressional aides and other senior government officials, including the president and the vice president – about 28,000 executive branch employees by one count. Making lawmakers and other officials report their investment transactions every 30 days or 45 days, depending on the final language, is a key component of legislation explicitly prohibiting them from trading on insider information." Click here for more.

Dimon dismisses regulatory threat
Tom Braithwaite in New York (FT – registration required)
February 28, 2012

"JPMorgan Chase executives have told investors the bank will prosper even after the implementation of new regulations as they maintained profit targets and dismissed talk of a historic threat to Wall Street's business model. 'I'll be damned if we don't have record profits for the next year or two,' said Jamie Dimon, chief executive, as US finance's most vocal critic of new regulation shrugged off the impact during an investor day at the company's New York headquarters." *Click here for more.*

Wells Fargo set for further expansion
Tom Braithwaite in New York (FT – registration required)
February 26, 2012

"John Stumpf, chief executive, pledged to increase the size of its wealth management arm and 'buy opportunistically' in insurance Wells Fargo plans to increase the size of its wealth management and insurance divisions through acquisitions as well as buying more assets from shrinking European banks, its chief executive says. John Stumpf, whose bank's market capitalisation is bigger than that of any other in the US, told the Financial Times he had 'sore toes' from 'kicking the tyres' on so many potential deals. But he was determined to keep expanding despite the fact that, since Wells has more than a 10th of all US retail deposits, it is unlikely to be allowed to buy more banks." *Click here for more.*

Former SEC official Stanley Sporkin says US Rep. Spencer Bachus did not violate law
February 24, 2012
Mary Orndorff (The Birmingham News)

"A former Securities and Exchange Commission official said he reviewed the documents U.S. Rep. Spencer Bachus turned over as part of an insider trading investigation and found no violations of federal law. Stanley Sporkin, who also was a federal judge in Washington, D.C., for 14 years, is in private practice and counsels individuals and corporations on financial regulatory or enforcement matters. Bachus representatives asked him to look at the materials, but Sporkin said he ultimately was not hired to advise Bachus in the case. 'I don't see why he would need my services. It's not necessary,' Sporkin said in an interview Tuesday. 'I haven't seen anything that would indicate a law violation, in my view.'" *Click here for more.*

Obama's Nominations Launch Utah Freshman Senator Lee on a One-Man Crusade
Laura Litvan (Bloomberg)
February 28, 2012

"Never in his brief U.S. Senate career has Mike Lee, a Tea-Party backed freshman from Utah, attracted such attention. In the past month, he was the subject of the president's weekly radio address, testified before a House panel and appeared on television news programs five times. Lee, a Republican, is the only senator fighting confirmation of all of President Barack Obama's executive and judicial nominees, after the president angered party members by appointing officials while Congress was on a holiday break. Through his Jan. 4 action, Obama bypassed Senate confirmation of his choices and installed the first U.S. consumer financial watchdog, a position Republicans want to abolish. He also appointed three members to the National Labor Relations Board. The Constitution allows the president to make appointments without Senate confirmation when the chamber is in recess. Republicans maintain that Obama's appointment of Richard Cordray as director of the Consumer Financial Protection Bureau and three members to the labor relations board were unlawful because the Senate held brief sessions every three days during the holiday break. … The Senate has confirmed four district court judges and one appellate judge since reconvening in late January. Other pending confirmations include the U.S. comptroller of the currency, the chairman and vice chairman of the Federal Deposit Insurance Corp. and two Federal Trade Commission members. So far, Republican leaders are supporting Lee's right to react as he wishes though they aren't joining him in seeking to block all nominees. Senator John Cornyn of Texas, chairman of the National Republican Senatorial Committee, said the party is trying to find a 'measured and appropriate' response to the appointments and shouldn't play into the president's narrative." *Click here for more.*

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Upcoming Events

Capitol Hill

House of Representatives

House Committee on Financial Services

Hearing entitled “The Securities Investor Protection Corporation: Past, Present, and Future”
Capital Markets and Government Sponsored Enterprises
March 7, 2012 9:30 AM in 2128 Rayburn HOB

Committee on Appropriations

Budget Hearing - Federal Trade Commission - Chairman and Commissioner
Monday, March 5, 2012 3:00 PM in 2359 Rayburn
Financial Services and General Government
Witnesses: Jon Leibowitz, Chairman; J.Thomas Rosch, Commissioner

Budget Hearing - Treasury - Secretary
Financial Services and General Government
March 27, 2012 10:00 AM in 2359 Rayburn
Witness: Timothy F. Geithner, Secretary More

House Small Business Committee

No pertinent markups/hearings scheduled as of 3/2/12

House Committee on Agriculture

No pertinent markups/hearings scheduled as of 3/2/12

Committee on Oversight and Government Reform

No pertinent markups/hearings scheduled as of 3/2/12

Subcommittee on TARP, Financial Services and Bailouts of Public and Private Programs

No pertinent markups/hearings scheduled as of 2/24/12

Senate

Senate Banking, Housing, and Urban Affairs Committee

Spurring Job Growth Through Capital Formation While Protecting Investors, Part II
538 Dirksen Senate Office Building
10:00 AM - 12:00 PM

Senate Committee on Finance

The President’s 2012 Trade Agenda
United States Senate Committee on Finance
Wednesday, March 7, 2012, 10:00 AM
215 Dirksen Senate Office Building

Tax Reform Options: Incentives for Capital Investment and Manufacturing
United States Senate Committee on Finance
Tuesday, March 6, 2012, 10:00 AM
215 Dirksen Senate Office Building

Senate Committee on Agriculture, Nutrition and Forestry

Risk Management and Commodities in the 2012 Farm Bill
Wednesday, March 14, 2012
10:00 AM
216 Senate Hart Office Building

SEC

No pertinent meetings/hearings scheduled as of 3/2/12

CFTC

No pertinent meetings/hearings scheduled as of 3/2/12

National Consumer Protection Week (NCPW)

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.

Consumer Federation of America

The Consumer Federation of America invites you to attend our forty-sixth annual Consumer Assembly on March 15th and 16th at the Embassy Suites Convention Center Hotel in Washington, DC. A preliminary program for the conference, which lists keynote speakers and panelists, is attached to this email. To register online, please use the following link - go to website

If you should need further information on the conference please contact Sally Karwowski at skarwowski@consumerfed.org or 202.939.1005.

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.