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December 16-31**

[\(Associated Press\) McCain Backs Bills That Would Split Big Banks](#)

[\(Associated Press\) SPIN METER No Real Consensus on Bank Overhaul](#)

[\(CNBC\) Banks: Stable or Greedy?](#)

[\(CNNMoney.com\) Senate rewrites financial reform](#)

[\(CNNMoney.com\) Gift cards: Use 'em or lose money](#)

[\(Federal Reserve Bank of Philadelphia\) Federal Reserve Bank of](#)

[Philadelphia's Payment Cards Center's Fall 2009 Newsletter](#)

[\(FOXBusiness\) Can Wall Street Save the World?](#)

[\(The Huffington Post\) Study: Politically-Connected Banks Were More Likely To Get Bailed Out](#)

[\(KSDK-TV – Online\) Sen. John McCain backs bills that would split big banks](#)

[\(LA Times\) Huffington to consumers: Boycott big banks \[Updated\]](#)

[\(Las Vegas Sun\) Lenders get an order: Ramp up the rescues](#)

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[\(NextGov\) House Backs E-Standards for Financial Reports](#)

[\(Open Forum\) Banks Say, "Bank on Us"](#)

[\(Politico\) Execs disinclined to fall in line](#)

[\(Reuters\) Banks with political ties got bailouts, study shows](#)

[\(Security Dark Reading\) IETF, BITS Financial Services And MAAWG Join Forces](#)

[\(Star Tribune\) Following Scolding, One Banker Shows President the High Road](#)

[\(USA Today\) Financial sector ups lobbying effort over new regulation plan](#)

[\(USA TODAY\) U.S. exported its aggressive credit card fees worldwide](#)

[\(US Banker\) The Most Powerful Regulator You Don't Know](#)

[\(UPI.com\) Lobby groups tackle reform head on](#)

[\(Minneapolis/St. Paul Business Journal\) Richard Davis named Executive of the Year](#)

[\(Wall Street Journal\) Another Chance for Small Business Loans?](#)

[\(The Washington Times\) Bernanke expected to keep job at Fed](#)

[\(The Washington Times\) Democrats' ads target House GOP on finance bill vote](#)

[\(Yahoo! India\) Banks with political ties got bailouts Study](#)

Huffington to consumers: Boycott big banks [Updated]
Los Angeles Times
E. Scott Reckard
December 31, 2009

This post corrects an earlier version

There can be few institutions more despised as 2010 begins than big U.S. banks, but what can the average person do about it?

The answer, according to Huffington Post website founder Arianna Huffington and former Senate Banking Committee chief economist Rob Johnson: Withdraw your money.

In a widely read blog post this week, Huffington and Johnson try to stir up a popular revolt by encouraging bank customers to yank their deposits from Bank of America, Wells Fargo, Chase and Citibank and move them to community banks and credit unions.

The broadside complains that the big banks, after being propped up by taxpayer money and government guarantees, have returned to the high-risk activities that torpedoed the economy in the first place, while cutting back on lending to businesses and spending hundreds of millions of dollars to water down proposed restrictions on their operations.

"The government policy of protecting the Too Big and Politically Connected to Fail is badly hurting the small banks, which are having a much harder time competing in the financial marketplace," write Huffington and Johnson, who is also a former managing director at hedge-fund operator Soros Fund Management. "As a result, a system which was already dangerously concentrated at the top has only become more so."

The Financial Services Roundtable, a lobbying group for major financial institutions, said the accusations were oversimplifying the situation.

"It's easy to demagogue the industry and paint institutions large, medium, and small, with broad brush strokes," the trade group said in a statement issued by spokeswoman Elise Brooks. "In the end, sound financial advice dictates that consumers should select the financial institution that offers the mix of products and services that best serves their individual financial needs."

Community banks traditionally have catered to small businesses and well-off individuals, charging more than their mass-market brethren but priding themselves on better service. Many ordinary folks, however, consider it important to have access to services like large free networks of automated teller machines, which the community banks don't provide (although some reimburse ATM transaction costs for their affluent customers).

What's more, financial recklessness was hardly confined to big banks choking on exotic mortgages and toxic securities carved out of them. Many California community banks managed to dig themselves into deep holes by making now-troubled commercial real estate loans during the boom years, especially institutions that specialized in bankrolling home builders and land developers.

The Huffington Post campaign, including a video comparing the big institutions to the villainous banker Mr. Potter in the Jimmy Stewart Christmas classic "It's a Wonderful Life," also contains an embedded referral service. The device, supplied by Torrance financial research firm Institutional Risk Analytics, allows users to input their ZIP codes to obtain a list of nearby smaller banks that Institutional Risk rates "A" or "B."

Johnson, currently the director of the Economic Policy Initiative at the Franklin and Eleanor Roosevelt Institute, says the big banks are taking deposits out of communities and essentially using them to speculate on Wall Street.

"They're doing proprietary trading, derivatives, things that have nothing to do with their communities," he said in an interview. "Why are we putting up with them?"

Of the four biggest retail banks, Wells Fargo is the least objectionable, according to Johnson. That's because it's not a big player in the market for derivatives, the exotic financial contracts that crippled insurer American International Group and otherwise contributed to the financial crisis.

[Corrected at 6:20 p.m: An earlier version of this post referred to the Financial Services Roundtable as the Business Roundtable.]

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Friday, January 1, 2010
Minneapolis / St. Paul Business Journal
By Jennifer Niemela

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Become the ad hoc government-relations point man for the national banking industry? Done.

Plan corporate investments and expansions while your peers are struggling to just stay alive? No problem.

It took being summoned to the White House for an audience with President Barack Obama in March to give the chairman, president and CEO of U.S. Bancorp pause.

"We lumbered up to the gate and started walking toward the West Wing," Davis said of approaching the White House with friend John Stumpf, CEO of San Francisco-based Wells Fargo & Co. "We didn't want to miss this poignant moment, so we both just stopped in our tracks and said, 'Let's face it, this is pretty amazing.' It was not lost on us how fortunate we were to have a place at the table" during this historic moment.

Davis was in the White House again in mid-December for a meeting with Obama and other bank executives to discuss regulatory reform, lending practices and executive compensation. Afterwards, he was the face of the banks on national TV news.

Davis, who started his career as a teller more than 30 years ago, has flourished on the national stage during the depths of the economic crisis. Minneapolis-based U.S. Bank, a patchwork of regional banks that was still relatively unknown nationwide up to a decade ago and, more recently, dismissed by some as too conservative for passing on subprime-mortgage lending, has been vindicated as it emerged as one of the strongest and largest banks in the country.

For his stalwart commitment to solid banking principles that helped U.S. Bank avoid the morass of subprime lending, his plans to leverage U.S. Bank's new-found star status to launch the company further ahead of its competitors and the easy transformation of this former teller as a national spokesman for the banking industry, the Minneapolis/St. Paul Business Journal names Richard Davis its Executive of the Year.

TARP exit

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The nation took notice of U.S. Bank — and Richard Davis.

"This isn't your grandfather's bank anymore," said Steve Bartlett, president and CEO of the Financial Services Roundtable in Washington, D.C. "U.S. Bank is highly respected, and their success has come from their conservative values. That's a tribute to Richard's character."

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Unusual upbringing

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"The Midwest was never that foreign to me. It was that place I went to visit that was fairly boring," Davis said, laughing.

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U.S. exported its aggressive credit card fees worldwide

By Kathy Chu

USA TODAY

Thursday, December 31, 2009

The British credit card market was once a relatively sleepy one made up of loyal borrowers and debt-averse older consumers. Much of that changed with the debut of a popular American export: a credit card with no annual fee and a low interest rate.

The rollout of this product in 1993 by U.S. issuer MBNA kick-started competition and led to a greater variety of cards being offered to consumers in the United Kingdom. At the same time, though, it paved the way for a lending model — which soon spread to other countries — relying heavily on back-end fees such as late charges.

"It opened up a very exploitive system that had a major fault line in it," says Robert Manning, who founded the Responsible Debt Relief Institute and has advised the U.S. and foreign governments on bank policies. "It's been used to justify a ... policy that's really price gouging."

Over the years, aggressive credit card and banking practices have taken hold globally, in part because U.S. banks and their consultants have exported new fees — and myriad ways to charge them — to developed countries such as the U.K., Canada and Australia as well as to emerging markets in Latin America and Asia, USA TODAY's research finds. These practices include credit card penalty fees, shrinking grace periods and bank overdraft charges.

"For a while the United States was exporting ... tobacco and Coca-Cola," says Kathleen Engel, a law professor at Suffolk University Law School in Boston. "The United States' big export now is different financial services products, abusive mortgage loans and credit card practices."

Scott Talbott, a senior vice president at the Financial Services Roundtable, which represents large U.S. banks, says it's not fair to criticize the migration of bank fees without acknowledging the opportunities cards have given consumers globally. "There are often fees associated with innovations, and they don't come cheap," he says. "But in the end, the world benefits."

Also, U.S. institutions can't be blamed solely for aggressive banking practices, says Gabriel Davel, CEO of the National Credit Regulator, which enforces lending laws in South Africa. "Our banks here are as creative in finding ways of introducing undesirable practices as any other bank."

The credit card got its beginning in the U.S. in the 1950s, when the Diners Club card was created as a way to pay for meals at restaurants. As the product evolved, innovative features such as rewards were created in the U.S. and then spread elsewhere. Many of the fee practices under attack today also came from the U.S.: penalty fees and hair-trigger interest rates.

Over the years, good, bad and questionable policies migrated overseas as foreign banks followed the American business model. "The U.S., because it is the most developed credit card market, is always the place that people look to," says Michael Lafferty, founder of Lafferty Group, a global bank research firm.

Credit card and banking practices also spread when U.S. banks expanded to foreign markets. Canadian Finance Minister Jim Flaherty says aggressive bank tactics are "one unwelcome export" from the U.S. but a "reality" globally.

And industry consultants played a key role in spreading new banking strategies in the U.S. and overseas. Consultants took ideas from banks in the U.S. to Canada, Australia, New Zealand, the U.K., Brazil, South Africa, the Philippines and other countries, USA TODAY found.

Ideas helped banks

Some ideas exported overseas helped banks cut their expenses by, for instance, streamlining the way checks were processed, says Douglass Colbert, a former consultant for Profit Technologies Corp. (PTC), which has advised 19 of the 20 largest U.S. banks. Others were done at least partly to generate fee income.

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A PTC "checklist" obtained by USA TODAY, and first reported in a July 2009 story, shows that banks can increase card earnings by "charg(ing) late charges regardless of how late a revolving credit customer becomes" and "consider(ing) a reduction in the number of grace days." PTC didn't return calls seeking comment. But in an interview earlier this year, PTC President Patrick Fox said banks shouldn't have to apologize for boosting shareholder value. "Let's not be naive," he said. "Banks are doing things to make money."

Being 'more fair'

Consumer advocates hope that just as banking practices have migrated from country to country, so can momentum for reform.

National Australia Bank— one of the largest in Australia — reduced its credit card late fee this year to \$5 (Australian) from \$30 (Australian) — about \$4.50 and \$26.80 U.S. dollars, respectively — eliminated monthly service charges on certain bank accounts and scrapped a \$30 overdraft fee.

Financial institutions in other countries are also taking steps — albeit generally more modest ones — to tone down bank fees. Meanwhile, governments are starting to crack down.

In September, the Canadian government approved credit card reform that was remarkably similar to U.S. legislation signed in May. Both countries now require credit card issuers to give borrowers at least 21 days before interest accrues on new balances and advance notice of rate increases. "We look around the world and try to learn from what others have done," says Canada's Flaherty.

Yet critics complain that while U.S. banks created many of the fees that spread to other countries, the U.S. government is not setting a strong enough example for other countries in reining in aggressive practices.

Critics point to banks' recent success in watering down a proposal to create an independent financial regulator to oversee overdrafts, credit cards and other loans.

U.S. efforts to reform credit cards are a good first step, says Ed Mierzwinski, program director at the U.S. Public Interest Research Group, because they have

"limited banks' ability to cheat consumers." "But for any law to work, you need a strong regulator," adds Mierzwinski. "We don't have that."

The challenge that governments face is how to enact strong reforms when a powerful banking lobby is fighting them every step of the way, says Canadian Sen. Pierrette Ringuette. "Everyone is beginning to see the light, but where they direct the light, that's the question," she says.

Can Wall Street Save the World?

Wednesday, December 30, 2009

By Darryl R. Isherwood

FOXBusiness

When President Obama wrangled an agreement in the waning hours of the Copenhagen climate change summit, left unsaid was how agreed-upon subsidies from wealthy nations to poor nations will be paid.

The ambiguity of the agreement, which calls for \$100 billion to be doled out annually beginning in 2020, along with an appeal from several European Union members to tap into the financial markets, has given momentum to the prospect of a worldwide financial transaction tax to help pay the freight for climate change solutions.

Supporters say the money would be a boon to the environmental movement, helping developing nations deal with the ramifications of climate change.

"We support the fund, and we think it needs to be paid for and we think the U.S. ought to do its part," said Bob Deans, of the National Resource Defense Council. Deans said the council has not taken a specific position on the tax, adding that it is one of many ways aid to developing nations could be funded. "There are several hundred million people right now dealing with the ravages of climate change, so we feel this needs to be funded in some way."

If imposed, the tax would tack on a fee - 0.25% is the number mentioned most, but some envision it as high as 0.5% - to most financial transactions worldwide, including stock and bond purchases, currency transactions and derivative trades.

Estimates from various groups put the amount of potential revenue from the tax in the hundreds of billions of dollars annually, with more than \$170 billion coming from the United States alone.

Also known as the Tobin tax, it is named for late economist James Tobin, who first proposed it in the 1970s when the United States abandoned the gold standard for its currency. Tobin theorized that an additional fee on currency transactions would discourage speculators and keep exchange rates stable.

The idea has gained traction over the years and the potential windfall from the tax has been cited as a catch-all solution to such wide ranging issues as world hunger, poverty, climate change and as a backstop to the economy to pay for any future bailouts.

White House spokesman Ben Labolt said the idea is a non-starter and “off the table” as a means to aid developing countries battling climate change. But just last summer, the President mentioned the potential for a transaction tax during a news conference, where he touted it as a way to raise cash to wind down too-big-to-fail companies.

Earlier this month, the European Union came out in favor of the tax, with some high profile members, including Great Britain and France, suggesting it as a method to fund the global climate change initiative discussed in Copenhagen. European Commission President Jose Manuel Barroso said the EU has asked the commission, the bloc's executive arm, and the International Monetary Fund to study different types of "innovative financing."

In a letter circulated among the leaders of several non-governmental organizations, Oxfam International Policy Advisor Max Lawson calls the global tax "an idea whose time has come." In touting the benefits of the tax, which includes funding for climate change initiatives, Lawson says "politically, the time is now."

"There is potentially plenty of money here for all of our issues, meaning we can form a united front," he wrote.

It also has the support of more than 200 U.S. economists, who earlier this year each signed an open letter favoring the plan. Economist Dean Baker, co-director of the Washington, D.C.-based Center for Economic and Policy Research, wrote a paper in support of the plan, where he estimated that a U.S.-only tax of 0.5% would generate revenue ranging from \$177 billion to \$354 billion annually. Baker's estimate takes into account the potential for lower trading volume once the tax is implemented. The money, Baker said, could be used for several initiatives, including combating climate change.

And while Baker supports the tax, he said allocating the money given the competing demands would likely be harder than actually passing the tax. Climate

change is just one of dozens of uses for the money so even if passed there is no guarantee where the money would be spent.

“What you would probably have is a big fight over whether or not you have the tax and then a huge fight over who gets what piece,” he said.

Illustrating Baker’s point is a bill introduced in Congress by U.S. Rep. Peter DeFazio (D-OR) and Sen. Tom Harkin (D-IA). Known as the “Let Wall Street Pay for the Restoration of Main Street Act,” it would impose a 0.25% tax on securities transactions to raise \$150 billion for deficit reduction and jobs related programs including infrastructure projects. The bill has the support of House speaker Nancy Pelosi and is separate from any attempt to pay for climate change funding.

Even the EU, which specifically mentioned climate change as one use for the tax windfall, has said the bulk of any revenue would be used to insure global taxpayers against a future banking crisis.

And despite the potential financial benefits, the tax has its detractors as well. If passed, the tax would likely further the rift developing between big business and the White House.

“Nearly every American would be impacted by a new transaction tax, no matter how small it is,” said Steve Bartlett, CEO of the brokerage industry trade group Financial Services Roundtable. “It would reduce the investment accounts for all Americans and erect a roadblock to capital flowing into the system – thereby limiting job growth and productivity.”

Bank of America (BAC) and Goldman Sachs (GS) declined to comment.

The U.S. Chamber of Commerce has also stepped up to oppose the bill, saying it would hurt the middle class while pushing economic activity overseas.

Even some environmental groups, which have advocated for a global response to climate change for years, say the tax is the wrong mechanism to fund aid. Taxing banks and investors who have little to do with the underlying problem may provide cash but does not provide a solution, said Terry Anderson, executive director of the Property and Environment Research Center, which studies free-market solutions to environmental issues.

A true solution to the problem, Anderson said, would be a tax on carbon dioxide emissions, the greenhouse gas at the heart of the issue.

“This is nothing more than a way to redistribute wealth and while it may get focused in the developing nations it does not in any way address the problem,” he said. “There can be no doubt there will be some impact, but in this case essentially taxing capital formation doesn’t seem like a way to address the problem.”

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Critics point to banks' recent success in watering down a proposal to create an independent financial regulator to oversee overdrafts, credit cards and other loans.

U.S. efforts to reform credit cards are a good first step, says Ed Mierzwinski, program director at the U.S. Public Interest Research Group, because they have "limited banks' ability to cheat consumers." "But for any law to work, you need a strong regulator," adds Mierzwinski. "We don't have that."

The challenge that governments face is how to enact strong reforms when a powerful banking lobby is fighting them every step of the way, says Canadian Sen. Pierrette Ringuette. "Everyone is beginning to see the light, but where they direct the light, that's the question," she says.

Can Wall Street Save the World?
Wednesday, December 30, 2009
By Darryl R. Isherwood
FOXBusiness

When President Obama wrangled an agreement in the waning hours of the Copenhagen climate change summit, left unsaid was how agreed-upon subsidies from wealthy nations to poor nations will be paid.

The ambiguity of the agreement, which calls for \$100 billion to be doled out annually beginning in 2020, along with an appeal from several European Union members to tap into the financial markets, has given momentum to the prospect of a worldwide financial transaction tax to help pay the freight for climate change solutions.

Supporters say the money would be a boon to the environmental movement, helping developing nations deal with the ramifications of climate change.

"We support the fund, and we think it needs to be paid for and we think the U.S. ought to do its part," said Bob Deans, of the National Resource Defense Council. Deans said the council has not taken a specific position on the tax, adding that it is one of many ways aid to developing nations could be funded. "There are several

hundred million people right now dealing with the ravages of climate change, so we feel this needs to be funded in some way.”

If imposed, the tax would tack on a fee - 0.25% is the number mentioned most, but some envision it as high as 0.5% - to most financial transactions worldwide, including stock and bond purchases, currency transactions and derivative trades.

Estimates from various groups put the amount of potential revenue from the tax in the hundreds of billions of dollars annually, with more than \$170 billion coming from the United States alone.

Also known as the Tobin tax, it is named for late economist James Tobin, who first proposed it in the 1970s when the United States abandoned the gold standard for its currency. Tobin theorized that an additional fee on currency transactions would discourage speculators and keep exchange rates stable.

The idea has gained traction over the years and the potential windfall from the tax has been cited as a catch-all solution to such wide ranging issues as world hunger, poverty, climate change and as a backstop to the economy to pay for any future bailouts.

White House spokesman Ben Labolt said the idea is a non-starter and “off the table” as a means to aid developing countries battling climate change. But just last summer, the President mentioned the potential for a transaction tax during a news conference, where he touted it as a way to raise cash to wind down too-big-to-fail companies.

Earlier this month, the European Union came out in favor of the tax, with some high profile members, including Great Britain and France, suggesting it as a method to fund the global climate change initiative discussed in Copenhagen. European Commission President Jose Manuel Barroso said the EU has asked the commission, the bloc's executive arm, and the International Monetary Fund to study different types of "innovative financing."

In a letter circulated among the leaders of several non-governmental organizations, Oxfam International Policy Advisor Max Lawson calls the global tax "an idea whose time has come." In touting the benefits of the tax, which includes funding for climate change initiatives, Lawson says "politically, the time is now."

"There is potentially plenty of money here for all of our issues, meaning we can form a united front," he wrote.

It also has the support of more than 200 U.S. economists, who earlier this year each signed an open letter favoring the plan. Economist Dean Baker, co-director of the Washington, D.C.-based Center for Economic and Policy Research, wrote a paper in support of the plan, where he estimated that a U.S.-only tax of 0.5% would generate revenue ranging from \$177 billion to \$354 billion annually. Baker's estimate takes into account the potential for lower trading volume once the tax is implemented. The money, Baker said, could be used for several initiatives, including combating climate change.

And while Baker supports the tax, he said allocating the money given the competing demands would likely be harder than actually passing the tax. Climate change is just one of dozens of uses for the money so even if passed there is no guarantee where the money would be spent.

“What you would probably have is a big fight over whether or not you have the tax and then a huge fight over who gets what piece,” he said.

Illustrating Baker's point is a bill introduced in Congress by U.S. Rep. Peter DeFazio (D-OR) and Sen. Tom Harkin (D-IA). Known as the “Let Wall Street Pay for the Restoration of Main Street Act,” it would impose a 0.25% tax on securities transactions to raise \$150 billion for deficit reduction and jobs related programs including infrastructure projects. The bill has the support of House speaker Nancy Pelosi and is separate from any attempt to pay for climate change funding.

Even the EU, which specifically mentioned climate change as one use for the tax windfall, has said the bulk of any revenue would be used to insure global taxpayers against a future banking crisis.

And despite the potential financial benefits, the tax has its detractors as well. If passed, the tax would likely further the rift developing between big business and the White House.

“Nearly every American would be impacted by a new transaction tax, no matter how small it is,” said Steve Bartlett, CEO of the brokerage industry trade group Financial Services Roundtable. “It would reduce the investment accounts for all Americans and erect a roadblock to capital flowing into the system – thereby limiting job growth and productivity.”

Bank of America (BAC) and Goldman Sachs (GS) declined to comment.

The U.S. Chamber of Commerce has also stepped up to oppose the bill, saying it would hurt the middle class while pushing economic activity overseas.

Even some environmental groups, which have advocated for a global response to climate change for years, say the tax is the wrong mechanism to fund aid. Taxing banks and investors who have little to do with the underlying problem may provide cash but does not provide a solution, said Terry Anderson, executive director of the Property and Environment Research Center, which studies free-market solutions to environmental issues.

A true solution to the problem, Anderson said, would be a tax on carbon dioxide emissions, the greenhouse gas at the heart of the issue.

“This is nothing more than a way to redistribute wealth and while it may get focused in the developing nations it does not in any way address the problem,” he said. “There can be no doubt there will be some impact, but in this case essentially taxing capital formation doesn’t seem like a way to address the problem.”

Lobby groups tackle reform head on
UPI.com
December 29, 2009

WASHINGTON, Dec. 29 (UPI) -- President Barack Obama's attempt to overhaul the U.S. financial service sector is cause for all-out resistance, bank lobbying groups said.

The bill that would create a consumer protection agency to oversee financial products resulted in a "call for action" from the American Bankers Association, USA Today reported Tuesday. The U.S. Chamber of Commerce, meanwhile, has spent \$2 million on advertisements opposing the agency.

"This bill is a sea change ... in the way the financial services industry is regulated. It's all hands on deck," said Scott Talbott, senior vice president of the Financial Services Roundtable, a bank lobbying group.

The lobbying has already resulted in new lines being drawn in the House version of the bill by allowing retailers, including automobile dealers, to be exempted from the new agency's oversight, the newspaper said.

Rep. John Campbell, R-Calif., a former auto dealer, helped pull automobile dealerships out of the bill.

"A needless second set of regulatory costs for an industry that everyone knows is completely on its back right now," Campbell said.

But Consumers for Auto Reliability and Safety, a consumer watchdog group, said otherwise.

"You can't police auto lending without policing auto dealers," Rosemary Shahan said.

Gift cards: Use 'em or lose money

CNN Money.com

Jennifer Liberto

December 29, 2009

WASHINGTON (CNNMoney.com) -- Got a gift card from Wal-Mart, Best Buy or American Express this holiday season?

Use it now, consumer advocates say. That's the best way to avoid potential fees and other pitfalls that can suck up the value of consumer gift cards -- at least until the Federal Reserve imposes limitations on some of the fees next year.

"For this holiday season, it's still open season on you and your gift cards," said Gail Hillebrand, director of Consumers Union's "Defend Your Dollars" campaign.

The Fed is crafting new rules aimed at limiting fees in the first year, restricting fees to once a month after a year and preventing gift cards from expiring before five years is up.

The new rules are part of a larger package Congress passed earlier this year cracking down on credit card fees. However, the new gift card rules are still being drawn and won't take effect until Aug. 22.

During the 2009 holiday season, some \$87 billion will be spent in gift card purchases, according to TowerGroup, a financial services research consulting firm. That's actually down from 2008, but it had been trending up for several years.

The biggest way companies make money on gift cards happens when a recipient spends more than the gift card's value, said Brian Riley, research director with TowerGroup.

They also make money on the interest generated from the upfront dollars collected. That's especially true when consumers forget about gift cards they've

locked away in a drawer -- a more frequent occurrence of late, according to a 2007 survey by research firm Marketing Workshop Inc.

Issuers also profit when consumers fail to exhaust the entire balance on a gift card, leaving a few cents or dollars to linger. Some 40% of recipients don't use up their gift card's value, leaving an average of \$2.30, according to the Marketing Workshop.

"Leaving those onesies and twosies on the card, that makes them money," Riley said.

But the biggest reason consumers should use up their gift cards quickly is because if a retailer fails, its gift cards become worthless.

Nothing compels a bankrupt retailer to honor a gift card. So, the gift card holder essentially becomes a creditor standing pretty far down the line of those seeking repayment.

Consumers lost more than \$100 million in gift card value in 2008, when large retailers such as Sharper Image and Linens 'N Things failed, Riley said.

"Even nail salons go belly up," Riley said. "When that happens, that gift card becomes useless."

Fees

Some gift cards, especially those issued by banks or credit card companies for use at a variety of merchants, charge a fee on top of the value that's purchased on the gift card.

In addition, "dormancy" fees of a few dollars a month can be charged for gift cards that don't get used.

Some card issuers have recently started cutting dormancy fees. American Express announced in October that they'd no longer charge consumers \$2 a month for nonuse of gift cards, although it will still cost between \$3 and \$7 to purchase the gift cards in the first place.

"Customers told us that monthly (dormancy) fees undermine the value of gift cards, plain and simple," said Alpesh Chokshi, American Express president of Global Prepaid, in a statement.

The new Fed rules prohibit dormancy fees until a year has passed. After that, the Fed wants to limit such fees to once a month and require them to be clearly disclosed.

But as part of those restrictions, the Fed is looking at limiting other types of fees to once a month, after a year is up, on such actions as replacing gift cards, reloading them or even inquiring about the balance.

That's got the banking industry up in arms. Different groups, including the American Bankers Association, have written the Fed trying to narrow the kinds of fees that could be curtailed.

They especially want to maintain the right to charge to replace a lost gift card. The industry says that fee covers the administrative cost of replacing the card and protects against tricksters who continually "lose" and replace cards.

"We think the replacement cost is a normal part of a transaction given the cash nature of gift cards," said Scott Talbott, chief lobbyist for the Financial Services Roundtable, a bank lobbying group.

By contrast, consumer groups have written the Federal Reserve asking them to broaden their reach when it comes to prohibiting gift card fees.

"Congress left a lot up to the Fed," said Hillebrand with Consumers Union. "We say: Use the rest of your power and finish the jobs in terms of consumer protection."

The banking groups are also asking the Federal Reserve to make new gift card laws trump tougher laws set at the state level. They support a uniform national standard.

For example, Connecticut doesn't allow any "dormancy" fees on unused gift cards, even after a year has passed. Banks would like the new Federal Reserve rules allowing one nonuse fee a month to be the law in Connecticut as well.

By contrast, consumer groups want the new rules to create a "federal floor," allowing states to pass even stronger regulations on gift cards.

**Financial sector ups lobbying effort over new regulation plan
Fredreka Schouten,**

USA TODAY
December 29, 2009

WASHINGTON — Wall Street, commercial banks and an array of other business interests are undertaking an all-out lobbying effort to shape legislation that imposes sweeping government oversight of the financial services industry. The U.S. Chamber of Commerce has spent \$2 million on advertising, including commercials slamming the creation of a federal consumer-protection agency, and plans to spend more, said David Hirschmann, CEO of the chamber's Center for Capital Markets Competitiveness. Bankers around the country, meanwhile, have sent about 250,000 letters to Congress raising alarms at the behest of the American Bankers Association, said Edward Yingling, the group's president. The association issued a "call to action" to its members recently, urging bankers to reach out "early and often" to senators who are expected to take up the legislation early next year.

On the other side, Americans for Financial Reform, a coalition of labor and civil rights groups formed in June, has spent nearly \$2 million pushing for tougher regulation of the financial sector, Executive Director Heather Booth said.

"This bill is a sea change ... in the way the financial services industry is regulated," said Scott Talbott, senior vice president of the Financial Services Roundtable, the lobbying arm for Wall Street banks. "It's all hands on deck."

The financial services sector is among the biggest lobbying interests, outpacing, for instance, what labor unions and defense firms each spent during the first nine months of this year.

Commercial banks, investment firms and credit-card/financing companies together have spent more than \$126.5 million to sway Congress and the executive branch during the first nine months of 2009, according to data compiled by the non-partisan Center for Responsive Politics. The chamber, meanwhile, has spent \$52.1 million on lobbying this year — more than any other single association or company.

Focus on derivatives

The lobbying already has paid off for some interests. A version of the bill passed by the House of Representatives this month would allow several groups, including retailers and auto dealers, to escape the scrutiny of the consumer protection agency. A separate measure, which would have allowed bankruptcy judges to reduce mortgage debts, was opposed by bankers and defeated on the House floor.

The legislation, which President Obama counts among his top domestic priorities, would usher in the biggest changes to the nation's financial system since the Great Depression. The House bill would impose regulations on portions of the derivatives market and grant the federal government the authority to dissolve large, troubled firms whose collapse could threaten the economy. A derivative is a financial instrument that is derived from the value of another asset.

One of the biggest sources of friction, though, is the creation of the Consumer Finance Protection Agency with powers to regulate matters from mortgages and credit cards to car loans.

Critics such as the banking association's Yingling said the agency amounts to a new and unnecessary layer of bureaucracy, and its actions could run counter to those of existing banking regulators. "We would end up with two regulators pulling us in opposite directions," he said.

The chamber's ads, meanwhile, took up the cause of retailers, claiming that the agency would make it harder for small-business owners to extend credit to customers.

The proposal to create the agency is so contentious that "every individual you can think of is crawling out from under the woodwork seeking exemptions," said Lauren Saunders, managing attorney of the National Consumer Law Center, which backs the increased consumer protection in the legislation.

Car dealers win break

Auto dealers, for instance, have secured an exemption from the agency's oversight in the House bill under an amendment pushed by Rep. John Campbell, R-Calif., who is a former auto dealer.

In most cases, dealers serve only as middlemen between lenders and car buyers and should not be subject to additional regulation, Campbell said. Under the House bill, the lenders themselves, including auto-finance companies such as GMAC, would be subject to the new agency's supervision. "We were trying to avoid a needless second set of regulatory costs for an industry that everyone knows is completely on its back right now," Campbell said of the auto-dealer exemption.

Consumer activists, such as Rosemary Shahan of Consumers for Auto Reliability and Safety, say dealers need the federal scrutiny because they are pivotal players in the loan process and earn higher commissions from lenders when they steer car buyers into higher-interest loans.

"You can't police auto lending without policing auto dealers," she said.

The National Automobile Dealers Association, which contributed nearly \$3 million to federal candidates in the 2008 election cycle, encouraged dealers to make "hundreds of calls" to House members to win the exemption, said Bailey Wood, the association's spokesman. The group now plans to "put the full might of our grass-roots efforts" behind securing a similar exemption in the Senate, he said.

In that chamber, an early draft circulated by banking committee Chairman Chris Dodd, D-Conn., included the consumer-protection body, but several senators, including Alabama Sen. Richard Shelby, the top Republican on the panel, have signaled opposition to the agency. The bill could come up for consideration by the full panel as early as next month.

The Most Powerful Regulator You Don't Know
US Banker
January 2010
By Steven Sloan

William Dudley wasn't the first regulator to endorse the idea of allowing banks to convert debt into equity if they need capital in a pinch, but the president of the Federal Reserve Bank of New York has gone further than any other policymaker in making the case that "contingent capital" is key to averting another banking crisis.

While there are less-complex proposals out there, like simply requiring large banks to hold more capital, Dudley worries that when bad loans begin piling up, even well-capitalized banks can find themselves with thin buffers and few options for raising capital. They wouldn't have such worries if debt could be automatically converted into equity in the event of a capital crisis.

There are drawbacks to be sure, the biggest being the potential cost to bankers. Most investors purchase bank debt knowing that they will likely be repaid even if the bank fails, and if they stand to be wiped out with other shareholders when their debt is converted to equity, they are likely to demand higher premiums.

But Dudley argues that bankers need to be looking at the bigger picture. "Such instruments could have reduced the likelihood of failure of large, systemically important institutions, reducing the significance of the 'too-big-to-fail' problem

and its associated moral hazard problems," he told a group of bankers at a conference in October.

Dudley's positions on contingent capital and other public policy issues matter, of course, because, as the head of the most important of the Federal Reserve banks, he has as much influence as any regulator inside or outside of the Beltway. His bank oversees many of the institutions considered too big to fail, such as Goldman Sachs, Citigroup Inc. and JPMorgan Chase & Co. It is running nearly a dozen of the Federal Reserve's liquidity programs aimed at fighting the financial crisis. And when the Fed's policymaking committee decides to back away from zero-percent interest rates and the programs that helped keep banks solvent, it will be Dudley's team that will carry out those commands.

Dudley, 57, is wrapping up his first year as head of the New York Fed. An economist by trade, he headed up the bank's markets desk under Tim Geithner and was promoted in January 2009 after President Obama tapped Geithner to head the Treasury Department.

In an interview in his office two blocks from Wall Street, Dudley himself sometimes seems awed by the sequence of events that elevated him to the second-most powerful position in the Federal Reserve System. He never worked at the Treasury Department, as Geithner had, and spent just two years working in other parts of the Fed, compared to the 17 years E. Gerald Corrigan toiled in Washington and Minneapolis before taking the helm in New York. Moreover, Geithner was nine years his junior and did not seem poised to go anywhere soon.

"I came here without any expectation that I was going to be president of the bank," he says.

Still, though Dudley doesn't possess the resume of some of his predecessors, industry observers say his combination of expertise in the capital markets - which will be crucial to unwinding the Fed's liquidity efforts - and his experience on the front lines of the financial crisis prepared him unusually well for the job.

"When all these books get written after the crisis, you will find that there will be some people who played a very important role but maybe didn't get enough recognition at the time," says Jamie Dimon, the chief executive of JPMorgan. "He was a key person behind the scenes who was very quietly adding an awful lot of value."

There are things he's still learning. Dudley has largely steered clear of the debate surrounding the reform of the financial system, which observers chalk up to his relative inexperience in bank regulation and supervision. Meanwhile, as a

Goldman Sachs alumnus, he has to fight the perception that he's too close to Wall Street.

Yet while Geithner and Federal Reserve Chairman Ben Bernanke seem to have to defend their response to the financial crisis almost daily, Dudley is mostly winning kudos.

"He's doing a superb job," says H. Rodgin Cohen, the chairman of Sullivan & Cromwell LLP. "Markets have never been in such disarray, so his experience is truly invaluable."

Dudley was far from the spotlight as the financial system was becoming unhinged. During 2008, he gave public remarks just once, in a speech aptly titled "May You Live in Interesting Times." But as the head of the markets desk - the arm of the New York Fed that buys and sells government securities to influence interest rates and, during the financial crisis, helped fund the Fed's liquidity programs - his impact was enormous.

While Bernanke and Geithner were calming public anxiety and dealing with Congress, Dudley was in his office thinking up new programs aimed at taming the crisis. He was instrumental in the creation of the Term Asset-Backed Securities Loan Facility, which provided Fed loans for asset-backed securities and older commercial mortgage-backed securities. The program has been credited with cutting interest rates for consumer lending. He was also a driving force behind a program for the New York Fed to buy commercial paper from a broad range of companies and for the central bank to auction off cash and Treasuries to banks that shied away from more traditional borrowing from the Fed.

The New York Fed has also taken the lead in purchasing debt and mortgage-backed securities from the government-sponsored enterprises in an effort to keep mortgage rates manageable and aid Fannie Mae, Freddie Mac and the Federal Home Loan Banks with funding. The central bank plans to buy \$1.25 trillion worth of MBS and \$175 billion worth of debt from the GSEs by March.

Alfred DelliBovi, the president of the Federal Home Loan Bank of New York, says the debt purchases were vital to helping his bank continue providing liquidity to community bank members.

"With all this uncertainty, their buying the debt provided assurance to investors," he said. "If you think about what was happening a year ago, investors were uncertain about investing in anything very long and since the debt we issue is designed to fund long-term mortgages, that was a problem. Anything that helped restore confidence in those markets was a good thing."

These programs were often the outgrowth of conversations Dudley had with Fed policymakers in the heat of the crisis. During the most turbulent periods, Geithner, Bernanke, Fed Gov. Kevin Warsh and Donald Kohn, the central bank's vice chairman, would gather around their phones several times a day to discuss the latest developments in financial markets.

Dudley led these conversations and tried to connect all the information coming into the central bank - for instance, pointing out the latest funding breakdowns in the market - to give the policymakers some much needed perspective.

"It was remarkable the way he was able to make sense of a lot of disparate trends in markets," Kohn says. "Bill was able to step back from it all and put a lot of threads together and see the underlying trends."

But for all the programs Dudley is credited with influencing, he says he is most proud of the one that got perhaps the least attention. As the credit crunch was spreading around the globe, the Fed decided to swap currencies with foreign central banks all with the goal of infusing more dollars into foreign financial institutions. The program allowed big, global banks to keep running, even in countries where the local currency was in short supply.

"In a very short period of time, we convinced central bankers around the world to conduct auctions just like ours on the same terms, conditions and frequency to provide dollar liquidity to banks not just in the United States but around the world," Dudley says. "It demonstrated that policymakers around the world could work together."

For Dudley, assuming the New York Fed's presidency is the culmination of one of his biggest goals: returning to public policy. He was an economist at the Fed in Washington from 1981 to 1983 and showed a talent for policy work. Some of his former colleagues privately say he left after two years because the Fed was not fully tapping his skills.

After leaving the Fed, he was the vice president of what was then the Morgan Guaranty Trust Co. He moved to Goldman three years later, in 1986, where his name would be made as a top-notch economist.

At Goldman, he worked closely with Robert Rubin, who by the 1990s was heading to Washington to advise President Clinton on economic policy. When Rubin became Treasury Secretary in 1995, former colleagues say Dudley hoped to also move south and work with him again. That did not happen - a development

that was said to be disappointing for Dudley - and he instead focused on expanding the role of Goldman's chief economist.

"I've been trying to get back into policy for a long, long time," Dudley said. "I really did want to do policy work. In fact, when I worked at Goldman Sachs, I tried to define the economist's role pretty broadly. So we did lots of policy work on health care reform, social security reform, capital gains tax - stuff that was much broader than the macro economy financial markets stuff that economists do."

It was as Goldman's economist that he gained notoriety in the financial markets. His thoughts on market developments were held in high esteem on Wall Street - Institutional Investor magazine often named him the top economist - and he was read very closely by top Fed officials in Washington.

But his status as a Goldman alumnus is also a liability in some circles that view with suspicion the number of government officials - most notably Geithner and Treasury Secretary Henry Paulson - who have spent time at the firm.

"Perceptions are very important to the public," said Robert Gnaizda, of counsel to the Black Economic Council. "People think this means that Goldman Sachs is going to have more influence."

That perception may exist, but it's not as if Wall Street is warmly embracing his positions on such issues as contingent capital and the trading of credit derivatives.

In a speech at a conference of international bankers in October, Dudley said that the mere existence of contingent capital would force banks and their boards to make better decisions.

"If the bank encounters difficulties, triggering conversion, shareholders would be automatically and immediately diluted," Dudley said. "This would create strong incentives for bank managements to manage not only for good outcomes on the upside of the boom, but also against bad outcomes on the downside."

Fed officials in Washington are receptive to the proposal, though they are still haggling over how it would work in practice. A central question is whether the conversion would be triggered by a slide in the bank's book value or a decline in its market price. Though no official decision has been made on that front, Dudley said regulators should focus on equity.

The banking industry, though, has given the idea of issuing contingent capital a big thumbs down, arguing that the cost "makes it prohibitive," says Scott Talbott, a senior vice president with the Financial Services Roundtable.

Dudley disagrees, and says costs could be kept down if banks held a substantial amount of contingent capital. That, in theory, would limit investors' exposure if they'd only need to convert a portion of the debt to equity to meet capital requirements.

But Talbott, whose group represents many of the country's largest financial services firms, says bankers don't see it that way.

"The problem is that someone has to go first," he says. "That would be the focus of the investors. Would you be willing to be the first lemming?"

On bank supervision, Dudley is less forceful in his comments. While he acknowledges that supervision of large institutions needs to improve, he has yet to take a firm stand in the debate over whether the Fed's consumer protection powers should be taken away, as Obama envisions, or whether bank supervision powers should be stripped from its duties, as Senate Banking Committee Chairman Chris Dodd advocates.

The closest he has come to an endorsement of the administration's regulatory reform framework was during the October speech, where he expressed appreciation for a plan that would create a central clearinghouse for derivatives trading.

"Not only would this more effectively capture the risks the banks are taking, but it also would create incentives to move the trading and settlement of such instruments more rapidly to central clearing parties and to exchanges," he said.

But in this instance, Dudley is mostly picking up where Geithner left off. The New York Fed has long been obsessed with derivatives and pushed even harder to centralize the transactions after they helped cause the downfall of American International Group Inc.

In the interview, Dudley take a stab at describing his regulatory philosophy.

"Regulation is necessary," he says, "in cases where there are externalities, where actions generate consequences for the broader financial system or for society and if the firms don't internalize those externalities, then you may need to put in place regulatory standards or requirements that basically lean against the fact that their behaviors may generate bad incomes from a public policy perspective."

In other words, regulation is necessary when one firm's actions jeopardize the entire financial system. Compensation is a good example of that, he says.

"If compensation practices create incentives in terms of taking risks that are inconsistent with what we may want to do on financial stability, then we may want to have in place guidelines or rules in terms of compensation practices to reconcile that potential for conflict," he says.

The Fed released a proposal in October that would subject the 28 largest banks to a horizontal review on compensation practices. Institutions whose compensation standards are unusual compared to their peers will have to explain their pay packages to the Fed. The central bank will review pay at smaller institutions as part of their normal examination process.

After the compensation proposal was released, it fell to Dudley to drive home the point to Wall Street that the Fed was serious. He summoned the CEOs of the 28 banks to a meeting where he drove home the goal behind the Fed's plan: to align pay with longer-term performance.

Still, he says regulation has limits.

"To me, it's important to say you don't say go out and regulate everything. I don't think that works well for a couple of reasons: One, it's very hard to write regulations that are flexible enough in practice to be able to adjust to developments in markets and the financial industry in real time. Second, you write down a regulation then you're sort of creating a target for regulatory arbitrage."

While well intended, that sentiment could fuel the perception that the central bank and the New York Fed remain too close to the industry they regulate. The characterization of the Fed as a lax regulator - combined with election year politics - is one of the main reasons Dodd is pushing to take supervision powers away from the central bank.

The New York Fed has always been one of the most important parts of the Fed machine. Its president is the vice-chair of the Federal Open Markets Committee, where governors appointed by the president and confirmed by the Senate are the only other permanent members. The Fed receives the bulk of its information about financial markets through buzz picked up by the markets desk in New York.

With so many big banks in its district, the New York Fed's importance is expected to grow even more in the years ahead as the central bank moves toward a system of overseeing firms in a more holistic manner, looking at all of their parts and

judging their interaction with broader markets. "It has become more important because it is in the center," says Cohen, of Sullivan & Cromwell. "They are helping shape policy which affects Wells Fargo just as much as JPMorgan."

The renewed emphasis on supervision highlights an important challenge for Dudley: how can the New York Fed step up its efforts on the supervision front while not forgetting about other parts of its portfolio, which include monetary policy and payment systems?

"I still think we have to be focused on financial markets broadly," he says. "I do take time thinking about monetary policy and the macro economy, but I also spend a lot of time on regulation of payments and settlements systems, capital markets and banking. I wouldn't say one is more important than the other. They're all part of the financial system."

As he looks ahead, Dudley hopes to oversee a banking system that will become considerably less complicated than the one that plunged the economy into a deep recession.

The Obama administration is hoping to make that happen by requiring banks to develop "living wills" that would serve as a roadmap to winding down mammoth institutions and their tentacles. That plan would force banks to account for all of their parts. Dudley, meanwhile, is working with other regulators in the U.S. to implement rules enacted by the Basel Committee on Banking Supervision that would require higher capital for trading, the very activity that helped many banks become mired down in subprime and other risky assets.

Though he has been on the job for just a year, there is already speculation about what Dudley might do next. Unlike Fed officials in Washington, regional Fed presidents do not have term limits. Some say Dudley would be a logical candidate to fill a seat on the Fed's board. Others say he has the potential to become a Treasury Secretary, though that option might be muddied by Geithner's rough transition from Wall Street cop to political operative.

Dudley, however, says he is simply focused on the work ahead. "We're on the journey and making progress," he says. "But it's not like three years from now, we'll be done. Three years from now, we'll be better than where we are today...[but] we'll have to keep going and improve."

Banks Say, "Bank on Us"
Open Forum
Steve Viuker
December 22, 2009

After a public scolding by President Obama, the CEOs of the nation's largest banks pledged to make more money available to small businesses.

“The industry is committed to making good loans to qualified borrowers. We will continue to be aggressive and creative and make every good loan that is possible,” said Elise Brooks, a spokesperson for the [Financial Services Roundtable](#), a member organization of leading banks and financial institutions.

Beth Zimmerman of Cerebellas LLC, a business-to-business strategy company said, “There is diminished demand for loans on the part of small businesses and consumers alike. The biggest issue is that small businesses are loathe to borrow for any reason until they see a considerable increase in customers and orders, neither of which are happening to any great degree.”

Bank of America said it would increase lending to small and mid-size businesses by \$5 billion next year over what it lent in 2009. JPMorgan Chase announced a similar increase in early November and recently experienced an increase in new applications for loans.

Wells Fargo said in a statement on Monday that it expected to increase lending in 2010 by as much as 25 percent, to more than \$16 billion, to firms with \$20 million or less in annual revenue.

The banks made their pledge after having repaid the government TARP money. As the economy is recovering, the banking industry has come under fire for not making more money available to both businesses and consumers alike.

Another Chance for Small Business Loans?
Wall Street Journal
December 21, 2009
By Diana Ransom

When President Barack Obama met with banking CEOs earlier this week, he urged them to "take a third and fourth look" at small businesses that they had rejected for loans during the year. The question is, will the banks follow through?

The CEO of US Bancorp Richard Davis told meeting attendees that his bank would take a second look at every loan it rejects. Separately, JPMorgan Chase's CEO Jamie Dimon also agreed to take another look at small business credit applications that have been declined. James E. Rohr the chairman and CEO of Pittsburgh's PNC Bank said he would evaluate existing procedures that offer a second look at small-business applications.

Other banks including Bank of America, Wells Fargo and even American Express say they have had second-look-style programs in place for a year or longer. However, in recent months, they've been "ramping up" these programs -- hiring new staff, widening their application inspection criteria and formalizing appeals programs, according to spokespeople with all three banks.

Further, the Financial Services Roundtable, a banking industry group in Washington, D.C., is attempting to corral other banks behind installing a program. "We're making the proposal and asking them to make it a policy," says Scott Talbott, a spokesman for the organization. Although the details on existing programs and how to take advantage of them are spotty, such policies will receive more structure in the coming months, says Talbott. At this point, he recommends small businesses to speak with their own bank to see if there's a second-look program.

In addition to being given a second chance, several banking giants recently announced more generous small-business loan targets for 2010. Bank of America offered to increase its lending to small- and medium-sized businesses by \$5 billion next year. Separately, JPMorgan Chase set its small-business lending goal at \$10 billion, while Wells Fargo, the nation's largest small business lender, said it would lend up to a whopping \$16 billion in 2010.

"Small and medium sized businesses are the lifeblood of the U.S. economy," said outgoing Bank of America CEO Ken Lewis in a statement. "Our improved financial condition and our optimism about the economy will allow us to step up lending to support these clients."

Still, lending remains low. Since April, Bank of America slashed its outstanding loans to small businesses by 5%, or \$2.2 billion, according to the latest Treasury survey. JPMorgan's lending total dropped by 2.5% since April, while Wells Fargo's small business loan portfolio shed \$3 billion since then, said the Treasury. Overall, the country's top 22 banks receiving capital injections from the U.S.

government have decreased total lending to small business by \$11.6 billion over the period. Even when the banks do lend, some business owners say they are being asked for more advantageous terms.

Some owners have even backed out of trying to get a loan because of all the red tape at banks. Sue Taggart, the president of ADinfinitem, a marketing firm in New York, recently applied for the Small Business Administration's American Recovery Capital, or ARC, loan program. To attain an interest free \$35,000 loan that's meant to help struggling business owners pay down their debts, she needed to submit a 40- to 50-page application, profit and loss statements and show old receipts. The process was too unwieldy and the restrictions from banks were too oppressive, she says. "Sure, I could pay off my vendors, but it's not worth the headache," Taggart says.

Sen. John McCain backs bills that would split big banks

December 22, 2009

Jim Kuhnhen

KSDK-TV - Online

WASHINGTON (AP) -- Two senators, one from each party, called Wednesday for breaking up large financial firms that perform both commercial and investment banking, adding a wrinkle to already difficult talks in the Senate on how to regulate Wall Street.

Sens. John McCain, the former Republican presidential candidate from Arizona, and Sen. Maria Cantwell, a Washington Democrat, introduced legislation that would prohibit commercial banks from undertaking brokerage activities.

Such a ban would strike directly at such institutions as Goldman Sachs, JPMorgan Chase & Co., Citigroup Inc., Bank of America Corp. and Wells Fargo & Co., which engage in both commercial and investment banking.

Democrats introduced a similar bill in the House on Wednesday.

"Banks need to be lending to small businesses and homeowners, not fueling risky Wall Street investment schemes," McCain said in a statement. "We must return stability, security and confidence to commercial banking for the American public."

The Senate proposal, bolstered with McCain's backing, comes as the Senate Banking Committee seeks to bridge differences within the committee on a sweeping overhaul of financial regulations. Though the House passed its own sprawling regulatory bill last week, the Senate is not expected to have one finished

until March.

Lobbyists, aides and senators say committee members are considering a proposal that could resolve one of the legislation's major sticking points: a proposed Consumer Financial Protection Agency pushed by the Obama administration but vigorously opposed by banks.

Under the proposed compromise, the agency would have authority to write consumer regulations covering lending and other bank transactions. But enforcement of the regulations would be left to specific banking regulators, not to the consumer agency. The proposal was described by people who requested anonymity because of the discussions are still in flux.

They said the proposal had yet to be embraced by Banking Committee Chairman Christopher Dodd, D-Conn., or the committee's top Republican, Richard Shelby of Alabama, and could be scrapped.

The House-passed version gives the consumer agency both regulation writing and enforcement powers.

Dodd has been a strong advocate of an empowered consumer agency, but it has skeptics, even among Senate Democrats. Dodd has been working directly with Shelby on that aspect of the bill, but has not made a breakthrough.

"From the beginning I've always thought that we should not create a stand-alone consumer financial authority," Shelby said this week. "Safety and soundness (of banks) should be number one."

Still, other senators said they expected a compromise, not an impasse, over the issue.

"The fact that the two of them are working one on one with their staffs on that issue gives me some hope that we may end up with something that would be in the middle of the road by the time its completed," said Sen. Bob Corker, R-Tenn., a member of the Banking Committee.

Bank lobbyists paid close attention to a House vote last week that narrowly defeated an attempt to replace the consumer agency with a weaker council that would coordinate consumer regulations but leave rule writing and enforcement to existing bank regulators. The financial industry supported that measure.

The idea of splitting the authority of a consumer agency appears to be another bargaining position, a fall back if Senate Banking Committee members don't

embrace an even less powerful council.

McCain and Cantwell, in calling to separate commercial from investment banking, have introduced yet another element for banks to oppose in the regulatory debate.

"The better solution is to modernize the regulatory framework to account for the modern financial services industry rather than returning the industry and consumers to the 1930s," said Scott Talbott, the chief lobbyist at the Financial Services Roundtable, an industry group that represents some of the largest Wall Street institutions.

But Rep. Maurice Hinchey, D-N.Y., one of seven Democrats to introduce a House version of the bank-busting bill on Wednesday, said Congress never should have undermined the Depression-era law.

"Congress ignored history in 1999 when it repealed the Glass-Steagall Act," he said, "and the American people have been forced to pay the price while bailing out these megabanks, which should have never existed in the first place."

Senate rewrites financial reform

By Jennifer Liberto

CNNMoney.com

December 22, 2009

WASHINGTON -- More than a year after the financial system blew up, efforts to build a better financial regulatory system are just now getting hammered out in the Senate.

The big question is: Will it be tough enough?

President Obama says he's concerned about efforts to weaken regulatory reform. Eight senators have paired up, one from each political party, to negotiate behind closed doors parts of a regulatory reform package that could pass the Senate with a filibuster-proof 60 votes.

Two weeks ago, the House passed its version, a sweeping 1,300-page regulatory reform package, which could usher in the biggest changes to the way government watches over financial companies since the New Deal.

That bill increases oversight over big financial firms and complex financial products and creates a new agency dedicated to watching out for consumers seeking mortgages and credit cards.

However, it also got watered down a fair bit. For example, the White House had proposed forcing big national banks to start abiding by stronger state consumer protection laws. But that provision got weakened in negotiations, allowing big banks to mostly avoid stronger state consumer laws.

Some regulatory reform efforts are poised to get more diluted in the Senate, Congressional veterans say. They expect the concerns of financial services companies to be given more weight as the global crisis has eased and populist fury appears to be calming.

"Moderate Democrats are getting a lot of pressure from back home from their constituents who want Washington to act on the financial crisis and fix whatever problems exist, but at the same time, not to go too far," said Brian Gardner, a Washington policy analyst at investment firm Keefe Bruyette & Woods.

That much was apparent during the House negotiations, where several industries, including small banks, credit unions, auto dealers, credit reporting agencies were able to win a lighter touch.

The closed-door negotiations in the Senate haven't stopped banking and financial service groups from pushing for a more sensitive audience.

"It is the Senate's role to take a careful look and consider issues thoughtfully," said Scott Talbott of the Financial Services Roundtable, a bank lobbying group. "The Senate is taking a bipartisan approach."

Last week, President Obama vowed to fight banks that are trying to weaken or stop regulatory overhaul.

"The industry has lobbied vigorously against some of these reforms on Capitol Hill," Obama said last week. "I've no intention of letting their lobbyists thwart reforms necessary to protect the American people. If they wish to fight common-sense consumer protections, that's a fight I'm willing to have."

What's at stake in the Senate

Some of the key issues up for debate in the Senate bill include: creating a Consumer Financial Protection Agency, unwinding large firms considered too big to fail, regulating banks under one roof, and moving the trades of some complex financial products onto exchanges to make them more transparent.

In November, banking chief Sen. Chris Dodd, D-Conn., released a draft of regulatory reform that his staff spent months working on. But Democrats and

Republicans on his committee balked at different parts of the bill, making it clear they wouldn't sign off without some major rewrites.

Now they're back to the drawing board, with Republicans and Democrats teamed up to work out their differences.

The bipartisan nature of the talks have given more of an opening to some Republican and financial service sector ideas that haven't gotten much traction, including proposals for less government intervention.

For example, Sen. Mark Warner, D-Va., and Sen. Bob Corker, R-Tenn., have been tasked to tackle issues surrounding companies that are considered too big to fail.

One thing they're considering is creating a special kind of bankruptcy court that would handle the failure of big financial firms that could threaten the larger financial system. That same idea was championed by Republicans opposed to the House reform package. By contrast, the House plan would give regulators new powers to break up such giants instead of establishing a bankruptcy court.

Most regulatory experts say they expect the Senate's final proposals to deviate from that of both the House and the White House.

"The Senate was always going to be a more difficult row to hoe for the administration's position," said New America Foundation policy analyst Ellen Seidman. "They may surprise us all."

What happened in the House

Even in the House, where Democrats outnumber Republicans by 81 members, the White House faced a surprisingly tough battle.

Its signature piece of regulatory reform -- creating a Consumer Financial Protection Agency -- nearly got killed, when a conservative Democrat (Rep. Walt Minnick, D-Idaho) proposed replacing the agency with a weaker panel of existing federal regulators, an idea pushed by the U.S. Chamber of Commerce.

House leaders had to sweat hard to garner enough support -- 223 Democrats -- to overcome the 175 Republicans -- and 33 Democrats -- who voted to replace the consumer agency.

The House version of the new consumer agency still took a beating; originally, it would have created an independent panel whose sole purpose would be to watch out for consumers seeking mortgages and credit cards.

Economic reform: One step closer

Under the final House bill, the Consumer Financial Protection Agency won't be able to mandate simpler "plain vanilla" models of consumer credit cards and mortgages. Some 98% of banks, including all the small ones, and credit unions will keep their same regulator when it comes to enforcement of consumer protection rules. Auto loans won't be regulated.

"For us, the CFPA was so weakened, it's questionable as to what impact it's going to have," said John Taylor, president of the National Community Reinvestment Coalition, a nonprofit housing and lending advocacy group.

While the Consumer Financial Protection Agency is back up to its original strength in the Senate version, the changes in the House portend more to come, experts say.

Indeed, Dodd and the top Republican on the banking committee, Sen. Richard Shelby, R-Ala., don't agree on the proposed new agency.

"From the perspective of consumer groups, the House bill is probably the high water mark, they're not going to get something that's more to their liking out of the Senate," Gardner said.

Study: Politically-Connected Banks Were More Likely To Get Bailed Out
The Huffington Post
December 22, 2009

In a finding that is sure to confirm the musings of conspiracy theorists -- or may just prove the obvious to cynics -- a new study details how the financial institutions with the strongest political connections ended up getting the biggest bailouts.

Professors Ran Duchin and Denis Sosyura at the University of Michigan's Ross School of Business found that banks with ties to members of congressional finance committees or whose executives served on Federal Reserve boards were more likely to receive TARP funds (through the Capital Purchase Program) than banks lacking those connections. Also, they found a positive relation between banks' political contributions and lobbying expenditures and the amount of TARP funds received, concluding that "the effect of political influence was strongest for poorly performing banks."

Sosyura said: "The effects of political ties on federal capital investment are strongest for companies with weaker fundamentals, lower liquidity and poorer

performance -- which suggests that political ties shift capital allocation towards underperforming institutions."

Though the report only names a handful of banks it's clear that it's aimed at top political donors like Bank of America, Citigroup and Goldman Sachs. Dealbook got this retort from a Wall Street lobbyist:

Scott Talbott, a senior vice president with industry lobbying group The Financial Services Roundtable, said the study was skewed because it did not exclude nine of the largest banks that were "strongly asked" by the government to take bailouts.

Those banks included Goldman Sachs Group, JPMorgan Chase, and Morgan Stanley -- all of which repaid their bailouts in June.

Bank of America and Citigroup more recently announced plans to pay back taxpayers.

The report does single out OneUnited Bank, however, and its relationship with key lawmakers, including Rep. Barney Frank (D-Mass.), the chair of the House Financial Services Committee:

To illustrate the power of the Committee on Financial Services, consider the following example, which appeared in the Wall Street Journal on January 22, 2009.¹⁴ In late September 2008, Boston-based OneUnited Bank found its capital depleted and its management compromised with a cease-and-desist order from the FDIC for poor lending practices and the abuse of management pay. Yet in mid-December 2008, the bank received \$12,063,000 from CPP.

The bank is based in the home state of Rep. Barney Frank, the head of the Financial Services Committee, who acknowledges that he had included into TARP a provision aimed at helping this particular bank and recommended to regulators that OneUnited be considered for capital investment under TARP. The bank's lawyer admitted that he had discussed the bank's financial situation over the phone not only with Rep. Barney Frank, but also with Rep. Maxine Waters (a member of the Financial Services Committee and Financial Institutions Subcommittee), whose husband used to be a OneUnited director.

Here are more details from the study:

The researchers used four variables to measure political influence: 1) seats held by bank executives on the board of directors at any of the 12 Federal Reserve banks

or their branches (the Federal Reserve is involved in the initial review of CPP applications from the majority of qualified banks); 2) banks with headquarters located in the district of a U.S. House member serving on the Congressional Committee on Financial Services or its subcommittees on Financial Institutions and Capital Markets (which played a major role in the development of TARP and its amendments); 3) banks' campaign contributions to congressional candidates; and 4) banks' lobbying expenditures.

They found that a board seat at a Federal Reserve Bank was associated with a 31 percent increase in the likelihood of receiving CPP funds, while a bank's connection to a House member on key finance committees was associated with a 26 percent increase, controlling for other bank characteristics such as size and various financial indicators.

Banks with political ties got bailouts, study shows

By Steve Eder

Reuters

December 21, 2009

NEW YORK, Dec 21 (Reuters) - U.S. banks that spent more money on lobbying were more likely to get government bailout money, according to a study released on Monday.

Banks whose executives served on Federal Reserve boards were more likely to receive government bailout funds from the Troubled Asset Relief Program, according to the study from Ran Duchin and Denis Sosyura, professors at the University of Michigan's Ross School of Business.

Banks with headquarters in the district of a U.S. House of Representatives member who serves on a committee or subcommittee relating to TARP also received more funds.

Political influence was most helpful for poorly performing banks, the study found.

"Political connections play an important role in a firm's access to capital," Sosyura, a University of Michigan assistant professor of finance, said in a statement.

Banks with an executive who sat on the board of a Federal Reserve Bank were 31 percent more likely to get bailouts through TARP's Capital Purchase Program, the study showed. Banks with ties to a finance committee member were 26 percent more likely to get capital purchase program funds.

As of late September, nearly 700 financial institutions had received bailouts of \$205 billion under the capital purchase program, the study said.

The banking industry has long been criticized for using political influence to obtain bailouts.

Scott Talbott, a senior vice president with industry lobbying group The Financial Services Roundtable, said the study was skewed because it did not exclude nine of the largest banks that were "strongly asked" by the government to take bailouts.

Those banks included Goldman Sachs Group Inc (GS.N), JPMorgan Chase & Co (JPM.N), and Morgan Stanley (MS.N) -- all of which repaid their bailouts in June.

Bank of America Co (BAC.N) and Citigroup Inc (C.N) more recently announced plans to pay back taxpayers.

Talbott also noted that \$116 billion has been repaid with interest.

"This demonstrates the banks were excellent stewards of the taxpayer's money," Talbott said.

But a watchdog for the government's bailout, the special inspector general for TARP, said last month that the broader \$700 billion bailout program "almost certainly" will result in an overall loss for taxpayers.

President Obama said in October that despite the bailout, there was still too little credit flowing to small businesses. (Reporting by Steve Eder; Editing by Gary Hill)

**Banks with political ties got bailouts Study
December 22, 2009
Yahoo! India**

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President Obama said in October that despite the bailout, there was still too little credit flow

Lenders get an order: Ramp up the rescues
By Lisa Mascaro

December 20, 2009
Las Vegas Sun

Washington — The Obama administration is publicly pressing banks to modify more mortgages after [a Treasury Department report](#) showed dismal results in a federally funded foreclosure prevention program — including only 16,000 mortgages being reworked in Southern Nevada.

Lenders have appeared unable or unwilling to tap into the \$50 billion that President Barack Obama made available this spring to rewrite loans to stem the tide of foreclosures, which some estimate will hit 13 million nationwide.

In the first of what are planned to be monthly public assessments from the Treasury Department, data through November show lenders have begun writing down the interest or principal on just 23 percent of the 3.3 million delinquent home mortgages nationwide.

Of those nearly 760,000 trial mortgage modifications nationwide, just 31,000 have been converted into permanent, five-year agreements, a performance that disappoints Treasury officials.

Lenders say they've had lackluster results in making trial loan modifications permanent because homeowners have failed to file paperwork in a timely manner or have since lost their jobs and no longer qualify.

But the administration said banks must do more.

“Our challenge now is to keep the pressure on,” William Apgar, a senior adviser for mortgage finance at the [Housing and Urban Development Department](#), said in a statement released with the report.

Under the [Making Home Affordable program](#) announced in the spring, the Obama administration unleashed \$50 billion from the bank bailout, the [Troubled Asset Relief Program](#), to encourage banks to rework mortgages for those in “imminent risk” of foreclosure. (Another \$25 billion was made available to refinance loans, including those that are underwater.)

Homeowners qualify for the mortgage modification program — which is named the Home Affordable Modification Program and is part of Making Home Affordable — if more than 38 percent of their gross household incomes go toward their mortgages, they can no longer afford the monthly payments and are at risk of foreclosure.

If the bank agrees to write down the mortgage so monthly payments equal 38 percent of income, the government will meet the banks halfway and partially subsidize a further write-down to 31 percent.

To sweeten the offer, the Treasury Department is offering banks \$1,000 for every loan they modify, with additional bonuses totaling up to \$3,000 if the loans remain modified.

Borrowers also get \$1,000 a year toward their loans for staying current with payments for the initial years.

Nevadans stand to benefit

The program could be crucial for households in Nevada with adjustable interest rates that are resetting to higher levels and where the state's 12.3 percent unemployment rate has left many families unable to afford their monthly payments.

Those receiving unemployment insurance can qualify for the program if their unemployment checks are guaranteed for nine months.

Nearly 70 percent of homeowners in Las Vegas are underwater, according to [First American CoreLogic](#) — meaning their mortgages are more than the homes' current value — essentially trapping residents in their homes even if they can no longer afford them.

Nevada has had the highest foreclosure rate in the nation since January 2007. Yet the data show that statewide, just 19,000 mortgages have qualified to begin the loan modification process.

The Las Vegas metropolitan area ranked ninth in the nation for mortgage modifications, accounting for 2.2 percent of the write-downs using the federal program — 16,000 Las Vegas area loans.

The New York-New Jersey metropolitan region was No. 1, with 6 percent of the federally backed cases.

Late-filed paperwork

Bankers say they are doing their part, but complain homeowners are missing deadlines on paperwork for modifications.

Similar to buying a home, that paperwork can be a cumbersome collection of payroll stubs, past tax returns and asset statements.

Plus, industry leaders say skyrocketing unemployment rates overtook the program, disqualifying borrowers who otherwise would have been eligible.

Scott Talbott, a vice president at the [Financial Services Roundtable](#), which represents the nation's top banks, said all parties bear responsibility for the program's shortcomings.

“There are challenges with all these parties to making this program a success,” Talbott said.

“The industry is committed to working on the (Home Affordable Modification Program) and other administration programs for keeping families in their homes,” he said. “We are going to do a better job.”

Pressure from lenders

Borrowers, however, tell consumer watchdog groups that they are being kicked out of the program and put into foreclosure even before they have a chance to complete the paperwork.

The Treasury Department is pressing the industry to ensure that 375,000 trial modifications that are set to either convert to permanent fixes or expire by year's end are not deemed ineligible without a thorough review.

Julia Gordon, senior policy counsel at the [Center for Responsible Lending](#), a consumer protection group, said lenders and borrowers share blame for the program's shortcomings.

Gordon said it is clear banks' loan servicers do not have the capacity or competence to handle the flood of applications from across the country.

Small states such as Nevada are especially hurting, she said, because they lack the civic infrastructure of housing aid and nonprofit legal organizations that exist in bigger states. New York, California and Illinois, for example, have a greater supply of aid organizations that provide assistance to help borrowers navigate the often confusing requirements.

But banks, she said, have failed to step up.

“They still don't seem to be able to handle it,” Gordon said. “The real question is: Are they unable or unwilling? I think it is a little bit of both.”

Senate Majority Leader Harry Reid singled out Bank of America this month, saying the bank's “reputation will suffer” unless more is done in Nevada. He

requested that the bank establish an assistance center in the state and assign staff to represent the company in cases before Nevada's new foreclosure mitigation program.

Bank of America responded it is "committed to helping as many customers as possible stay in their homes during these difficult times."

Treasury data show Bank of America was modifying 15 percent of its eligible mortgages in November, placing the banking giant among the bottom 10 banks nationwide. Also in the bottom 10 is Wachovia. Wells Fargo ranked 19th with 30 percent of its mortgages being modified.

Pressing banks to act

The power of the bully-pulpit may nudge banks to do more, but it may only go so far.

Gordon of the Center for Responsible Lending is among those who have long argued that politicians need to rely more on sticks than carrots. Consumer groups have long pressed Congress to pass a law to allow bankruptcy judges to write down mortgages — a bill that has passed the House this session, but failed in the Senate under opposition from bankers.

Congress could require lenders to conduct loan modifications before foreclosure proceedings to give homeowners a chance to make new, lower payments on time.

"It seems the speak-softly-and-carry-a-big-stick might work better than speaking loudly," Gordon said. "No one is going to persuade these banks by their eloquence. They will change their behavior when there's an economic reason to do so."

IETF, BITS Financial Services And MAAWG Join Forces Security Dark Reading December 17, 2009

Bolstering industry cooperation against malware, bots and spam, the Messaging Anti-Abuse Working Group (MAAWG) has formalized new liaison relationships with the international standards body IETF (Internet Engineering Task Force), and **BITS, the technology policy division of the Financial Services Roundtable representing 100 of the largest U.S. financial institutions providing banking, insurance, and investment products and services.**

The new liaisons will help expedite the adoption of MAAWG best practices among a wider audience of industry professionals. The IETF is beginning work to convert selected MAAWG documents into industry-adopted Best Common Practices and will comment on MAAWG technology recommendations for tackling spam and malware. **BITS will also provide important feedback to MAAWG working committees on email authentication and the specific messaging concerns facing the financial services industry.**

"Sharing anti-abuse expertise and industry best practices is our first line of defense as the industry works to protect end-users. Our relationships with the IETF and **BITS** will be a conduit between the extensive knowledge of these organizations and the expertise of MAAWG members who are on the front lines of fighting spam. MAAWG members are ISPs, email providers, volume senders, social networking sites and anti-virus vendors, all of whom interface with users everyday," said MAAWG Chairman Michael O'Reirdan.

New Liaisons Expand Industry's Messaging Safety Efforts

As an industry association, MAAWG issues recommended best practices developed by its members. The IETF (www.ietf.org) is an international governing body overseeing Internet operations and will publish selected MAAWG work as industry-official Best Common Practices.

The IETF liaison to MAAWG, Barry Leiba, said, "The new liaison relationship between the IETF and MAAWG will give us a channel to get work flowing between the two organizations. We expect to get more input into IETF standards from MAAWG members, and to get more exposure and feedback on some of MAAWG's work by bringing it into the IETF."

The Financial Services Roundtable's BITS division (www.bits.org) will work with MAAWG on email authentication and other messaging issues.

BITS Vice President of Security Paul Smocer said, "We're pleased to form this formal liaison with MAAWG. Combating email abuse through strong email authentication is a priority for BITS members and their customers. MAAWG support to help promote email authentication is a clear indication of both the ISPs and messaging industry's commitment to consumer protection in general, and the financial services industry's efforts to work with our service providers." BITS focuses on strategic issues where industry cooperation serves the public good, such as critical infrastructure protection, fraud prevention, and the safety of financial services.

About the Messaging Anti-Abuse Working Group (MAAWG)

The Messaging Anti-Abuse Working Group (MAAWG) is where the messaging industry comes together to work against spam, viruses, denial-of-service attacks and other online exploitation. MAAWG (www.MAAWG.org) represents almost one billion mailboxes from some of the largest network operators worldwide. It is the only organization addressing messaging abuse holistically by systematically engaging all aspects of the problem, including technology, industry collaboration and public policy. MAAWG leverages the depth and experience of its global membership to tackle abuse on existing networks and new emerging services. Headquartered in San Francisco, Calif., MAAWG is an open forum driven by market needs and supported by major network operators and messaging providers.

Following Scolding, One Banker Shows President the High Road

David Brewster

Star Tribune

Friday, December 18, 2009

The University of St. Thomas has launched a multipronged effort to address the growing lack of civility in U.S. society. The school is raising money for an endowed chair in civil discourse and has started a pilot academic program on the topic.

It's also announced plans for a lecture series that College of Arts and Science Dean Dr. Marisa Kelly said "will strive to promote discussion of important ideas without the aggression, anger and obstinacy that often cloud such matters in today's world," according to a news release. Newsweek Editor Jon Meacham will kick off the series Feb. 16, lecturing on "Conflict and Civility in the Age of Obama."

We have a nomination for the second lecturer: U.S. Bancorp CEO Richard Davis.

The Minneapolis banker met with President Obama Monday, less than 24 hours after the nation's chief executive used "60 Minutes" to complain about "fat-cat bankers" who have opposed regulation and pocketed multimillion-dollar bonuses while getting taxpayer aid. In interviews after the meeting, Davis chose civility when a lesser banker might have opted for aggression, anger and obstinacy. He praised the president as a good listener and said there was plenty of common ground on the key issues: small-business lending, executive pay and regulatory reform.

None of this was out of character for Davis, but it was refreshing to see a class act on a national stage. What a stark contrast from the heads of the three biggest

financial firms -- Goldman Sachs, Morgan Stanley and Citigroup -- who never made it to the White House, blaming flight delays due to fog. (Note to the three MIA Wall Streeters: Amtrak is a charming alternative to air travel.)

On one of the major agenda items -- spurring more lending activity -- Davis told the Star Tribune's Chris Serres that his bank would take a second look at every rejected small-business loan. He also said he would discuss the second-look lending strategy in his role as chairman of **Financial Services Roundtable**, which represents the nation's largest financial companies. That's an excellent PR message, but it's hard to believe that the nation's banks were waiting for a green light from Washington to try to make more money.

Even before the "60 Minutes" scolding and presidential lecture, U.S. Bancorp and its competitors were very much interested in making loans. The state of the U.S. economy -- not disinterest -- has been holding back lending activity, and as the recovery picks up steam lending to small- to medium-sized firms will grow.

A number of recent economic reports have been upbeat. The unemployment rate appears to be at or near a peak, the housing market is getting healthier, and some key corporate earnings have been better than expected. Obama's plea for more lending activity will be answered, but that would have happened without Monday's meeting.

Regulatory reform is another matter, and civility may be harder to come by as that discussion heats up early next year. Davis again struck the right note when he said the bankers who met with Obama agreed that they -- rather than their lobbyists -- need to be more active in the reform process as the debate moves from the House to the Senate.

For more than a year, this page has called for regulatory reform that would provide smarter financial oversight without curbing competition and innovation in the marketplace. We've noted that former Treasury Secretary Henry Paulson asked his team in early 2007 to come up with a modern model to replace an obviously outdated regulatory system that has proved its ineffectiveness.

The wait continues, and if respected bankers such as Davis can provide industry leadership -- not to mention enlightened discourse -- they have much to add to the debate over how reform can best be accomplished.

Federal Reserve Bank of Philadelphia's Payment Cards Center's Fall 2009 Newsletter
Federal Reserve Bank of Philadelphia
Tuesday, December 15, 2009

The Philadelphia Fed Payments Card Center has released their 2009 fall newsletter, which includes information about the Center's previous conferences and workshops and articles such as "Recent Developments in Consumer Credit and Payments." Also highlighted is Senior Industry Specialist Julia Cheney's participation in the **BITS Fraud Steering Committee**.

To download the newsletter, please click [here](#).

Democrats' ads target House GOP on finance bill vote
Sean Lengell
The Washington Times
Thursday, December 17, 2009

Democrats are targeting a dozen vulnerable House Republicans with a media blitz beginning this week that accuses them of protecting the interests of big banks at the expense of ordinary Americans.

The Democratic Congressional Campaign Committee (DCCC) is using the campaign, which includes radio advertisements, automated telephone calls, live calls and more than 4 million e-mails, to criticize the Republicans for voting against a bill this month to overhaul the regulatory system of the nation's financial sector.

A key component of the measure, which passed the House with zero Republican support, calls for a new consumer protection agency to guard the public against unscrupulous mortgage dealers and what Democrats say are abusive industry practices, such as excessive credit-card rate increases.

"For years, House Republicans let big banks take huge risks that threatened our financial markets and left hard-working American taxpayers holding the bill," said Rep. Chris Van Hollen of Maryland, the DCCC chairman.

The DCCC on Wednesday began running radio ads in the districts of five of the 12 targeted Republicans - Reps. Dan Lungren and Mary Bono Mack of California,

Lee Terry of Nebraska, Charlie Dent of Pennsylvania and Joe Wilson of South Carolina.

The fundraising and recruiting arm of House Democrats, the DCCC said it will soon announce a second phase of the campaign, which will include ads against the other targeted Republicans. The campaign committee has not identified the other seven Republicans.

DCCC spokesman Ryan Rudominer declined to say how much the committee is paying for the ads but said the cost is "significant."

The DCCC considers the 12 Republican seats winnable for Democrats in the November 2010 election. The committee has attracted a host of high-profile Democratic challengers for the districts, many of which went for President Obama last year.

"We will continue to go district by district to hold House Republicans accountable for their continued obedience to Wall Street fat cats at the expense of American taxpayers and consumers," Mr. Rudominer said.

The Cook Political Report and Congressional Quarterly rate the Lungren, Terry and Dent races as "leaning Republican." Both publications rate the Bono Mack and Wilson races as "likely Republican."

The DCCC's opposite number, the National Republican Congressional Committee, brushed aside the Democratic attack as a toothless - and inevitably fruitless - partisan exercise.

"Being on the opposite side of Speaker [Nancy] Pelosi and [House Financial Services Chairman] Barney Frank is never a political liability, which may explain why more than two dozen Democrats joined Republicans in opposing this permanent bailout legislation," NRCC spokesman Paul Lindsay said.

The Wall Street regulatory overhaul bill calls for an independent Consumer Financial Protection Agency intended to protect the public against abuses such as unscrupulous mortgage deals and excessive credit-card rates. Business groups, including the U.S. Chamber of Commerce and **the Financial Services Roundtable, lobbied strongly against the proposed agency.**

The bill also would create a Financial Services Oversight Council to monitor the financial system. The agency would identify and regulate financial firms that are

so large and interconnected that their collapse would put the entire financial system at risk - a scenario that prompted Congress in the fall of 2008 to approve the publicly unpopular \$700 billion Troubled Asset Relief Program, or TARP.

Also, the bill would give the government the authority to step in and dismantle failing non-bank financial firms that threaten the economy.

The measure still faces hurdles in the Senate, which is expected to take it up in early 2010.

Bernanke expected to keep job at Fed

Sean Lengell

The Washington Times

Thursday, December 17, 2009

Federal Reserve Chairman Ben S. Bernanke, fresh off this week's honor of being named Time magazine's "Person of the Year," is expected to win enough support in the Senate to keep his job for another 4-year term.

But a vote Thursday in the Senate Committee on Banking, Housing, and Urban Affairs on whether to send Mr. Bernanke's renomination to the full Senate for a final vote will be anything but unanimous, as some senators are ready to tee off with the man they say was chiefly responsible for aiding and abetting last year's near epic collapse of Wall Street.

"I find it ironic that a man who has spent the last year rewarding others for failure is now being named 'Person of the Year' for his failures," said Sen. Jim Bunning, Kentucky Republican and the committee's biggest critic of Mr. Bernanke.

"If Time magazine is in the business of rewarding failure, Ben Bernanke is their man - he has certainly excelled at that."

The Fed chairman's path to renomination could get even rockier in the full Senate.

Mr. Bunning has said he would seek to stop the Senate from confirming Mr. Bernanke through a "hold" procedure. The 100-member Senate would need 60 votes - not the usual 50 - to override the block and move forward with a final vote on the nomination.

Although the maneuver is not expected to derail Mr. Bernanke's confirmation, it could slow down the process.

Mr. Bernanke's term expires early next year.

Another resonant Bernanke critic, Sen. Bernard Sanders, a Vermont independent who isn't a banking committee member, also said he will place a hold on the chairman's renomination.

"Perhaps more than anyone else in the world, Chairman Bernanke was in a position to diagnose and correct the impending financial disaster that was taking place right in front of him," Mr. Sanders said.

"Tragically, not only did he fail to prevent the economic collapse that we have experienced, he did not even warn the American people that it was coming until it was too late."

But many experts say that the anger generated on Capitol Hill toward Mr. Bernanke - one of the lead architects of the unpopular \$700 billion Wall Street program - is nothing more than hot air designed to score political points against a publicly unpopular figure.

"Tomorrow's a show, especially with Jim Bunning - Jim Bunning still thinks he's pitching for the Phillies," said Peter Morici, a University of Maryland business professor and former chief economist at the U.S. International Trade Commission. "It's hard to take Jim Bunning seriously."

Mr. Morici said cooler heads will prevail in the Senate in regard to Mr. Bernanke's renomination.

"They'll broker him 60 votes one way or another, unless something else happens," he said.

Scott Talbott, a spokesman with the Financial Services Roundtable, which represents some of the nation's biggest financial-services firms, agreed that Mr. Bernanke isn't in danger of being forced out of his job.

"He's qualified for the job. Secondly, who else wants it?" Mr. Talbott said. "He's becoming a lightning rod, but in the end, I expect the Senate to confirm him."

Mr. Bernanke has vigorously defended his handling of last year's near meltdown of the economy, telling the Senate committee two weeks ago that his actions helped avert an even greater crisis.

The nation's central banker assured lawmakers that his agency has the necessary tools to further repair the still wobbly economy - a push-back at congressional proposals to curtail the Federal Reserve's regulatory powers.

"We played a central role in efforts to quell the financial turmoil," he told a Senate banking committee hearing.

McCain Backs Bills That Would Split Big Banks

Jim Kuhnhenn

Associated Press

Wednesday, December 16, 2009

WASHINGTON (AP) -- Two senators, one from each party, called Wednesday for breaking up large financial firms that perform both commercial and investment banking, adding a wrinkle to already difficult talks in the Senate on how to regulate Wall Street.

Sens. John McCain, the former Republican presidential candidate from Arizona, and Sen. Maria Cantwell, a Washington Democrat, introduced legislation that would prohibit commercial banks from undertaking brokerage activities.

Such a ban would strike directly at such institutions as Goldman Sachs, JPMorgan Chase & Co., Citigroup Inc., Bank of America Corp. and Wells Fargo & Co., which engage in both commercial and investment banking.

Democrats introduced a similar bill in the House on Wednesday.

"Banks need to be lending to small businesses and homeowners, not fueling risky Wall Street investment schemes," McCain said in a statement. "We must return stability, security and confidence to commercial banking for the American public."

The Senate proposal, bolstered with McCain's backing, comes as the Senate Banking Committee seeks to bridge differences within the committee on a sweeping overhaul of financial regulations. Though the House passed its own

sprawling regulatory bill last week, the Senate is not expected to have one finished until March.

Lobbyists, aides and senators say committee members are considering a proposal that could resolve one of the legislation's major sticking points: a proposed Consumer Financial Protection Agency pushed by the Obama administration but vigorously opposed by banks.

Under the proposed compromise, the agency would have authority to write consumer regulations covering lending and other bank transactions. But enforcement of the regulations would be left to specific banking regulators, not to the consumer agency. The proposal was described by people who requested anonymity because of the discussions are still in flux.

They said the proposal had yet to be embraced by Banking Committee Chairman Christopher Dodd, D-Conn., or the committee's top Republican, Richard Shelby of Alabama, and could be scrapped.

The House-passed version gives the consumer agency both regulation writing and enforcement powers.

Dodd has been a strong advocate of an empowered consumer agency, but it has skeptics, even among Senate Democrats. Dodd has been working directly with Shelby on that aspect of the bill, but has not made a breakthrough.

"From the beginning I've always thought that we should not create a stand-alone consumer financial authority," Shelby said this week. "Safety and soundness (of banks) should be number one."

Still, other senators said they expected a compromise, not an impasse, over the issue.

"The fact that the two of them are working one on one with their staffs on that issue gives me some hope that we may end up with something that would be in the middle of the road by the time its completed," said Sen. Bob Corker, R-Tenn., a member of the Banking Committee.

Bank lobbyists paid close attention to a House vote last week that narrowly defeated an attempt to replace the consumer agency with a weaker council that would coordinate consumer regulations but leave rule writing and enforcement to existing bank regulators. The financial industry supported that measure.

The idea of splitting the authority of a consumer agency appears to be another bargaining position, a fall back if Senate Banking Committee members don't embrace an even less powerful council.

McCain and Cantwell, in calling to separate commercial from investment banking, have introduced yet another element for banks to oppose in the regulatory debate.

"The better solution is to modernize the regulatory framework to account for the modern financial services industry rather than returning the industry and consumers to the 1930s," said Scott Talbott, the chief lobbyist at the Financial Services Roundtable, an industry group that represents some of the largest Wall Street institutions.

But Rep. Maurice Hinchey, D-N.Y., one of seven Democrats to introduce a House version of the bank-busting bill on Wednesday, said Congress never should have undermined the Depression-era law.

"Congress ignored history in 1999 when it repealed the Glass-Steagall Act," he said, "and the American people have been forced to pay the price while bailing out these megabanks, which should have never existed in the first place."

Banks: Stable or Greedy?

CNBC

December 16, 2009

Steve Bartlett appears on CNBC:

<http://www.cnbc.com/id/15840232?video=1360442134&play=1>

House backs e-standards for financial reports

Aliya Sternstein

NextGov

Tuesday, December 15, 2009

The House is pushing to simplify mandatory financial reports for companies receiving federal funds, by forcing agencies to collect the data in a uniform, searchable format.

Lawmakers passed two measures in the past week that would encourage the use of technologies that make it easier to scrutinize the complex financial results of private sector firms.

One bipartisan bill, introduced by Rep. Darrell Issa, R-Calif., calls on the White House to issue rules within 18 months that direct every agency to use the same financial data format, called eXtensible Business Reporting Language. The measure, which the House passed on Dec. 14, would require companies to file activity reports to agencies in XBRL and order agencies to ensure the public can view the standardized financial information. In addition, the sweeping financial regulatory overhaul legislation (H.R. 4173) that the House passed Dec. 11 includes a loose reference to XBRL, stating that regulators must report to Congress on how they are "encouraging the use and acceptance of interactive data" to increase transparency in financial reporting.

Proponents of XBRL say the format levels the playing field for businesses, citizens, lawmakers and agencies that are trying to make sure no one cheats the federal government. XBRL technologies check company filings for all the required data fields and make sure the numbers add up correctly. For example, reported credit card income on the income statement should have a corresponding asset on the balance sheet.

Agencies collect financial reports in many different formats, making it hard to access and compare the data. The process is frustrating, time-consuming and largely manual, increasing the likelihood of human error, said Liv A. Watson, a co-founder of XBRL who serves on the board of directors of the financial information management firm IRIS India.

"The government would have to invest in tools and infrastructure to store and render XBRL data, but if you think about it, today they do that many times over to deal with many different data formats," Watson said. "What it really is about is the process of getting your information into a discoverable standard that can be analyzed and compared. It is an accountability and responsibility they have to taxpayers."

The Issa legislation likely would require agencies to spend \$50,000 to \$100,000 on new technologies to standardize on XBRL, she added. To expedite passage, the House Oversight and Government Reform Committee, where Issa serves as

ranking member, on Thursday added the bill (H.R. 2392) to a Senate-passed measure (S. 303) that reauthorizes the award-application site Grants.gov.

While extracting data in XBRL carries costs, many technologies for viewing the information are free. Citizens can download a viewer at no expense from the Securities and Exchange Commission's Web site. SEC and the Federal Deposit Insurance Corporation already use the standard to ease the process of analyzing financial filings.

Before regulators moved to XBRL several years ago, 30 percent of banks' filings contained inaccuracies, according to a 2006 report by the Federal Financial Institutions Examination Council, an interagency standards-setting body for FDIC, the Federal Reserve System and the Office of the Comptroller of the Currency. With XBRL, all of the banks' data was accurate and added up in all mathematical relationships.

Banking industry officials said the burden of converting their reports to XBRL would be outweighed by the benefits of a uniform standard, especially if it is adopted internationally.

"We are supportive of transparency and consistency in reporting requirements," said Scott Talbott, the chief lobbyist for the Financial Services Roundtable.

SPIN METER No Real Consensus on Bank Overhaul

Daniel Wagner

Associated Press

Wednesday, December 16, 2009

WASHINGTON -- After meeting with bank executives, President Barack Obama noted 'a big gap' between the CEOs and their lobbyists on his campaign to rewrite the rules governing the financial industry. The CEOs 'support reform,' Obama said, but their lobbyists have been sending a different message.

Appearing separately after the meeting, the bankers seemed to agree. 'We're going to do a better job ... to work with the lobbyists' to address that disconnect, US Bancorp CEO Richard Davis said. But the 'gap' Obama said he discovered is an illusion. The bankers not only are well aware of their lobbyists' efforts, they direct them. They have supported parts of Obama's financial agenda since long before the financial crisis, when they proposed the same measures.

In striking the appearance of agreement, both sides glossed over a dispute on one key proposal: the creation of a new agency to protect consumers from bank abuses. The proposed agency would have rule-writing authority and onsite examiners.

That proposal is the core of Obama's proposed changes, and U.S. banks and their representatives oppose it unanimously. Monday's meeting didn't change that. 'The bankers (in the meeting) said they support consumer protection, but there's no reason as far as I can tell to believe they support' the new consumer protection agency, said Ed Yingling, president of the American Bankers Association.

That bankers support many other items on Obama's agenda should come as no surprise. Many of the president's key provisions track closely with a 2007 report overseen by the CEO of JPMorgan Chase & Co. and the chairman of Wells Fargo & Co., and released by the Financial Services Roundtable, which represents the 100 largest financial firms.

Roundtable lobbyist Scott Talbott said his group supported much of Obama's plan before it was announced. But he said his group and other industry groups have been consistent in opposing the proposed consumer agency.

By suggesting the opposition comes from lobbyists rather than bankers, Obama could be giving his White House guests room to soften their position. It's also a populist tactic that takes aim at a group he has often vilified - those who play Washington's lucrative influence game.

He also may be attempting to neutralize the U.S. Chamber of Commerce, which has spent millions of dollars on a high-profile campaign to defeat the proposed consumer agency. The Chamber already won key concessions in the version of the bill that passed the House this month.

Obama's own poll numbers have been sagging, and he has little to lose from tapping the vast reservoir of public anger at banks. On Sunday night, the day before meeting with them, he was on TV calling bankers 'fat cats' who 'don't get it.' Monday's meeting let Obama sharpen his get-tough message, then claim to have discovered common ground.

He criticized the banks' lavish executive pay practices - even though they have made progress in tying compensation to long-term performance. He pressed them to lend more money to consumers and businesses - then acknowledged banks are hamstrung by the rough economy and regulators are cracking down on risky lending.

Asked about the supposed gap between bank CEOs and their lobbyists, White House spokeswoman Jennifer Psaki said, 'We expect the CEOs to say the same thing in public and in private to members of Congress that they said to the president in person yesterday.' And that gap Obama discovered between the bankers' support for the rules rewrite and their lobbyists' rhetoric? Davis, the bank CEO who promised to close the gap between CEOs and lobbyists, is the incoming chairman of the Financial Services Roundtable. The Roundtable has been among the proposed consumer agency's most strident opponents, saying it 'would actually harm consumers.' Davis spent the hours after Monday's White House meeting at the Roundtable's offices. The lines of communication between bank executives and their lobbyists remain open.

Aside from the rhetoric, there's no evidence they ever were closed.

Execs disinclined to fall in line

Eamon Javers

Politico

Wednesday, December 16, 2009

When President Barack Obama emerged from a meeting with banking executives Monday, he seemed to think they'd agreed to change their lobbying ways. The bankers, though, don't see it that way.

Emerging from the meeting, which three top bankers couldn't attend because of fog delays at Ronald Reagan Washington National Airport, Obama said he sees a divide between what the CEOs say to him in person and what their lobbyists do on Capitol Hill. "I urged them to close that gap, and they assured me that they would make every effort to do so," he said.

But on Tuesday morning, there was little evidence that the major Wall Street firms planned any changes in their approach to lobbying on financial regulatory reform.

"When the Senate bill comes out, it's going to be pretty much business as usual," said Camden Fine, CEO of the Independent Community Bankers of America, who frequently tangles with large Wall Street banks. Fine noted that the bankers answer primarily to their shareholders, not to the U.S. president. "They may put some window dressing on it, but their underlying positions won't change."

Scott Talbott, a lobbyist at The Financial Services Roundtable, which represents Wall Street banks, said: "There's more in the bill that we support than we oppose. CEOs tend to focus on the areas that the industry supports,

while the lobbyists focus on the areas where we disagree. But the CEOs and the lobbyists are on the same page on the merits.”

A Wall Street executive, who asked not to be named, put it more bluntly: “This was all a PR stunt,” the executive said. “Nothing came out of that meeting.”

Another lobbyist said the industry will “continue to flag concerns with specific provisions contained in the bill that will make credit less available and more costly for small businesses. And despite what the White House says, that’s not opposing reform.”

Still, the Obama administration says it wants to see a new attitude on K Street. “We expect the CEOs to say the same thing to members of Congress in private about the financial reform package that they said to the president during their meeting yesterday,” said White House spokeswoman Jen Psaki.

And Obama himself described the White House and Wall Street as fundamentally at odds on the reform measure: “I made very clear that I have no intention of letting their lobbyists thwart reforms necessary to protect the American people,” he said. “If they wish to fight common-sense consumer protections, that’s a fight I’m more than willing to have.”

Executives at several banks said privately that their positions on the disputed issues in the financial reform debate — such as the creation of a consumer financial protection agency and the creation of a fund that would pay for future bailouts now with a tax on the industry — are valid on the merits.

In the run-up to Monday’s White House meeting, JPMorgan Chase issued a press release with 24 bullet points on its efforts to help the U.S. economic recovery. But it was silent on the idea of a consumer financial protection agency, which JPMorgan CEO Jamie Dimon opposes. “We agree with the need for better financial regulation, including regulatory consolidation, systemic risk regulation, ending ‘too big to fail,’ better consumer protection and more transparency in the derivatives markets,” the release said.

That silence on the CFPA doesn’t mean the financial titan has changed his mind. In a Wall Street Journal op-ed in June, Dimon laid out his argument against the proposed agency: “Before creating an entirely new federal bureaucracy, policy makers should first examine ways to strengthen and refocus the authority of existing regulators,” he wrote. “Creating duplicative and overlapping functions could increase costs and reduce credit opportunities for the consumers we are trying to protect.”

Goldman Sachs did not offer any specific changes to its lobbying strategy, either, when asked about it Tuesday. Instead, a spokesman issued this statement: “As we have consistently said, we support sensible reform, and our efforts have been and continue to be directed toward that goal.”

That’s a far cry from the efforts the White House says it would like to see, which include falling in line behind the financial reform bill and pushing for its passage in the Senate.

One veteran financial executive said there’s a reason the bankers won’t change their positions: They aren’t afraid enough of the Obama administration. “So, once again, [Goldman Sachs CEO Lloyd] Blankfein, [Morgan Stanley CEO John] Mack, et al., find a reason not to show up to a summons from the president,” billionaire hedge fund investor Jim Chanos wrote in an e-mail Tuesday. “Is there any reason at this point why the rest of corporate America should fear this White House?”