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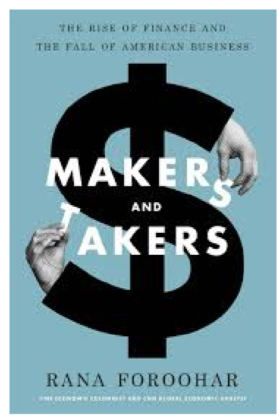
Financial Reform Newsletter: October 7, 2016
Financialization of Banking has Hurt the Real Economy; Living Will Process Shows Financial Reform is Working; New Senior Hires at Better Markets; Screening of Film on a Key Part of the 2008 Crash

Financialization of banking has hurt the real economy that Americans need for jobs, economic growth and rising standards of living, but how much? A great deal according to a terrific new book by Rana Foroohar, aptly titled "Makers and Takers: The Rise of Finance and the Fall of American Business": Rana, a business columnist at Time magazine and global economic analyst at CNN, was recently in Washington discussing her book, which has made the Financial Times short list of best business books of the year.

Foroohar offered a detailed critique during a lunchtime book event held at the AFL-CIO headquarters in Washington and co-sponsored by Better Markets. She talked about the "takers": those financiers who are destroying jobs, exacerbating economic inequality, and stifling job creation, as well as the "makers": companies and communities where finance is functioning the way it was meant to, in the service of the real economy, supporting the homes, jobs, savings education, and retirement of all Americans.



Foroohar's presentation touched on a broad range of topics in finance, banking, and economics, including the testimony of Wells Fargo CEO John Stumpf before the House Financial Services Committee that had happened the day before. She discussed how the bank's focus on cross-selling, unrealistically aggressive sales targets and the pressure-cooker environment were in the service of the stock price rather than focusing on what banking is supposed to be for: supporting the real economy and the real needs of people.

The Living Will Process Shows That Financial Reform is Working and That, When Forced To Do So, the Biggest, Most Dangerous Banks Can Figure Out How to Wind Down Operations Without Threatening the Entire Financial System. This past week the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC) released to the public summaries of the revised 'living wills' from the five biggest banks - JPMorgan Chase, Bank of America, Wells Fargo, Bank of New York Mellon, and State Street - that had previously failed to show that they could credibly go bankrupt without taking the financial system and the economy down with them. This is one of the most important parts of the Dodd Frank law because, without credible living wills, policy makers, elected officials and regulators will be left with no choice -- again -- but to bail out the biggest banks to prevent a second Great Depression.

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If the plans are still found to be deficient, the law gives the regulators enormous power and authority (subject to substantial due process protections) to take additional actions necessary to remove the unique threat to the American people posed by this handful of the biggest banks. Regulators could, for example, require these banks to increase their equity capital or even order them to restructure their operations, including disposing of business lines.

This process is definitely taking too long, and the latest submissions still need to be scrutinized and evaluated, but it nonetheless shows that the law and regulators are working to remove the threat of too-big-to-fail and reduce if not eliminate the risk of future taxpayer bailouts for Wall Street. However, the credibility of policy makers and regulators is on the line now: after years of these banks' living wills submissions, they better be genuinely credible or the regulators must order clear, direct and decisive action.

Regulators must also disclose the maximum amount of information from and related to the plans as well as publicly detail the basis for their credibility determinations, including in particular why they took or did not take action regarding each of the plans. If living wills are to work and if the threat from too-big-to-fail financial giants is to be eliminated, the American people, investors, markets and creditors must know the factual basis for the plans and the determinations. Only then will they be able to conclude for themselves that the plans are credible.

New Senior Hires at Better Markets in Development and External Affairs.

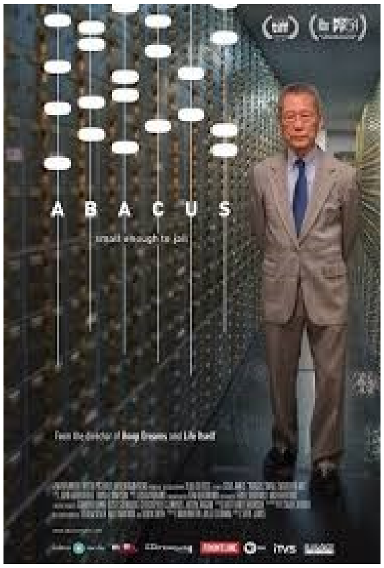
Better Markets made some key additions to its staff this week as Laura Zylstra and Jeremy Bratt joined the team as Vice President for Strategic Partnerships and Development and Director of External Affairs, respectively.

"Laura and Jeremy are experienced professionals with decades of expertise in their areas. They have the sophisticated ability to advance our fundraising and outreach efforts," said Better Markets president and CEO Dennis M. Kelleher. "Laura's skills and thorough understanding of the entire range of fundraising channels is as deep as it is broad. Jeremy has held positions in the House, the Senate and the executive branch, providing him with extensive knowledge of the entire policymaking process in Washington."

Laura Zylstra has spent over two decades in national and international fundraising, with extensive knowledge in major gifts, foundations, direct and online as well as annual fund development, strategic planning and international new market entry. Prior to joining Better Markets, Laura served in leadership roles at the League of Women Voters, Fonkoze and Habitat for Humanity International. Laura also operated her own consulting practice, serving organizations such as the United Nations World Food Program USA, UNHCR (UN Refugee Agency), WWF, SHRM and Meridian International Center.

Jeremy Bratt has an extensive background in public policy and government relations, with more than 15 years of experience in Congress and the Executive Branch. Before joining Better Markets, Mr. Bratt was an appointee at the Department of the Interior, where he served as Deputy Director of Congressional and Legislative Affairs. He also spent several years on both sides of Capitol Hill, serving as the Legislative Director for Senator Byron Dorgan (D-ND) and Senator Richard Blumenthal (D-CT), and in the U.S. House of Representatives, where he was Deputy Chief of Staff for Congressman Tim Walz of Minnesota, among other positions.

"It is exciting to lead Better Markets' fundraising efforts as the rules called for by the Dodd Frank financial reform law are being completed and the efforts to make reform durable throughout a business cycle have just begun," Laura said. "Heading up outreach to allies, businesses and so many other people and organizations that share our goals for a safe, sound, and balanced financial system that supports the real economy is an inspiring challenge that I'm looking forward to," Jeremy stated.



A movie on a key part of the 2008 financial crash is being screened at the closing night of the Washington DC Investigative Film Festival. It's called *Abacus.*

No, sadly, the film is not about the fraudulent CDO deal involving Goldman Sachs and hedge fund manager John Paulson shorting subprime mortgages. Instead the film is about Abacus Federal Savings and the Sung family who ran the small bank in New York's Chinatown which has the dubious distinction of being the only U.S. bank to face criminal charges in the wake of the 2008 financial collapse.

The film festival is being held in theaters in Washington, DC this weekend. Those of you in the area (or if you are passing through) can [check it out here].

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