

Wall Street Penalties Have Fallen in Trump's First Year, Study Says



Jay Clayton

In its latest fiscal year, Wall Street's top regulator sought the smallest amount of penalties since 2013, a drop that took place as the agency went months without permanent leadership and could show a softer approach to policing wrongdoing, [Bloomberg reports](#).

"The U.S. Securities and Exchange Commission tried to obtain \$3.4 billion in fines and disgorgement from companies and individuals during the 12 months ended in September, according to data collected by Urska Velikonja, a Georgetown University law professor," write reporters [Matt Robinson](#) and [Benjamin Bain](#). "The SEC filed 612 enforcement cases, also the fewest in four years, Velikonja's research shows."

Velikonja points out that since Jay Clayton – the former Wall Street deals lawyer appointed by Trump – took over as SEC chair in May, the agency has pursued just two sanctions against large financial firms. But in the same period a year earlier, more than a dozen big financial companies faced SEC sanctions.

[Read the Bloomberg article.](#)

Insurance Giant Receives New York Subpoena on Sales Practices

The New York Times [is reporting](#) that New York's attorney general has subpoenaed TIAA, the giant insurance company and investment firm, seeking documents and information relating to its sales practices, according to people briefed on the inquiry.

Last month, the newspaper raised questions about the firm's sales methods. TIAA oversees almost \$1 trillion in client assets, for more than four million workers at thousands of nonprofits, according to reporter [Gretchen Morgenson](#).

A related SEC complaint was filed by former TIAA employees who contend they were pressured to sell products that generated more revenue for the firm but were more costly to clients while adding little value.

[Read the NYT article.](#)

Dallas-Based Locke Lord Fined for Ethics Violations, “Acting Without Integrity”

Law firm Locke Lord has received the largest fine ever levied by the profession’s U.K. regulatory body, the Solicitors Disciplinary Tribunal, reports [The Global Legal Post](#).

“The firm has to pay £500,000 [\$654,632] after accepting four allegations of misconduct, including acting with a lack of integrity, the first time a law firm has admitted to this,” according to the report.

The firm failed to supervise a lawyer involved in transactions showing signs of irregular financial arrangements or investment schemes, the regulatory body alleged.

On its website, the Dallas-based firm says it has offices across the United States, as well as in Hong Kong and London.

[Read the *Global Legal Post* article.](#)

Silicon Valley Software Startup, Ex-CEO Fined Nearly

[\\$1M](#)



Silicon Valley software startup Zenefits and its co-founder Parker Conrad have been fined nearly \$1 million by the U.S. Securities and Exchange Commission as part of a settlement over charges that they had misled investors, [reports Reuters](#).

Zenefits will pay a \$430,000 penalty and Conrad, who resigned as chief executive from the company in early 2016, has been fined more than \$533,000, according to Reuters reporter [Heather Somerville](#).

“The SEC found that Zenefits made ‘false and misleading statements and omissions’ to company investors by failing to disclose that it was not compliant with state insurance regulations,” Somerville reports. “Zenefits employees had sold health insurance without proper licensing, the company said, a violation that led to fines from several states.”

[Read the Reuters article](#).

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[Senate Kills Rule On Class-](#)

Action Suits Against Financial Companies



The Senate has voted 51-50 to get rid of a banking rule that allows consumers to bring class-action lawsuits against banks and credit card companies to resolve financial disputes, [NPR reports](#).

Vice President Pence cast the tie-breaking vote to rollback the Consumer Financial Protection Bureau rule banning restrictive mandatory arbitration clauses found in the fine print of credit card and checking account agreements, writes NPR reporter [Scott Neuman](#).

President Trump is expected to sign the measure, which has already been approved by the U.S. house.

Neuman writes: "CFPB said it was redressing a situation in which consumers were forced 'to give up or go it alone – usually over small amounts,' while companies were able to 'sidestep the court system, avoid big refunds, and continue harmful practices.'"

[Read the NPR article.](#)

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Lawsuit Alleging General Electric Ripped Off Its Workers Shows the Pitfalls of 401(k) Plans

A lawsuit recently brought against General Electric Co. raises the question: Can your employer be trusted to manage your retirement fund exclusively for your own benefit?

[Los Angeles Times](#) reporter [Michael Hiltzik](#) explains that the suit alleges that GE managed the plan for its own benefit by loading it with mutual funds owned by its own subsidiary.

“The funds charged high fees while also underperforming the investment markets, a double-barreled drawback that cost employees millions in potential gains,” according to Hiltzik.

Plaintiffs claim that a large portion of the funds was invested in GE-owned mutual funds, and the company pocketed the management fees paid by its own employees. All but one of the five GE funds underperformed its benchmark investment index.

[Read the LA Times article.](#)

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Jury Slaps JPMorgan Chase with \$6 Billion-Plus Verdict in Sabre Creator's Estate

A jury has awarded the widow and heirs of Sabre airline reservation system pioneer Max D. Hopper more than \$6 billion in damages after finding JPMorgan Chase in breach of its fiduciary duty in administering the multimillion-dollar Hopper estate.

“JPMorgan Chase is one of the world’s largest and most respected banks, and its clients expect honesty and fairness in the handling of trusts and estates,” said James S. Bell of James S. Bell, PC, trial lawyer for Hopper’s adult children, Dr. Stephen Hopper, a Tulsa, Oklahoma, psychiatrist, and Laura Wassmer, mayor of Prairie Village, Kansas.

“In this case, the JPMorgan Chase name doesn’t mean the institution put its clients’ interests above its own. When challenged, the bank used the family’s own money to fight them in court over the handling of their father’s estate,” said Bell.

Hopper, who helped create the Sabre reservations system, died unexpectedly in 2010 without a valid will. At the time of his death, his estate was estimated at more than \$19 million.

[Read details about the case.](#)

Wilmington Trust \$60M Settlement Gets Criminal Charges Dropped

Wilmington Trust Corp., the only financial institution to be criminally charged in connection with the federal bank bailout program, reached a \$60 million settlement with prosecutors Tuesday just as the corporation and four former top executives were set to go to trial on bank fraud charges, the [Associated Press reports](#).

After the bank reached a settlement, U.S. District Court Judge Richard Andrews postponed the trial for the former executives until March, finding they currently were not prepared to move forward without the bank as a co-defendant.

“Prosecutors accused Wilmington Trust, through its senior executives, of concealing the truth about the bank’s deteriorating commercial real estate loan portfolio from bank regulators, investors and the Securities and Exchange Commission,” writes reporter Randall Chase.

[Read the AP article.](#)

Feds Accuse Georgia GC of Helping Orchestrate Client's Ponzi Scheme

A civil complaint filed by the U.S. Securities and Exchange Commission alleges that the general counsel for Credit Nation Capital was an “active participant” in fleecing elderly and unsophisticated investors out of their savings, reports the [*Atlanta Journal Constitution*](#).

Reporter [Johnny Edwards](#) writes that Celello is accused of fraud, aiding and abetting and routing investors' money into his own pocket.

Last year a federal judge effectively dismantled a Credit Nation network of investment companies, subprime auto loan businesses and limited liability companies, and a court-appointed receiver is currently trying to return some \$10 million to dozens of investors who lost an estimated \$61 million, according to Edwards.

[Read the *Journal Constitution's* article.](#)

Equifax Breach Caused by Lone Employee's Error, Former CEO Says



The Equifax data breach happened because a single employee failed to implement software fixes, the company's former chief executive told members of Congress on Tuesday.

[The New York Times](#) reports that Richard F. Smith, who stepped down last week, repeatedly apologized to the members of the House Energy and Commerce Committee – and the American people – for the security lapse.

“Angry members of the committee tore into Mr. Smith and pressed him on how a credit bureau of Equifax’s size, responsible for safeguarding billions of sensitive records on Americans’ financial lives, could have allowed so much data to escape, unnoticed,” write [Tara Siegel Bernard](#) and [Stacy Cowley](#).

[Read the NYT article.](#)

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[Before the Breach, Equifax Sought to Limit Exposure to Lawsuits](#)

Before Equifax discovered a massive computer breach that exposed sensitive information about millions of Americans, the company lobbied Congress on legislation to limit how much it could be forced to pay if sued by consumers, reports [The Washington Post](#).

The company also pressed lawmakers to roll back the powers of its regulators, according to reporters [Renaë Merle](#) and [Hamza Shaban](#).

“Since at least 2015, the credit reporting agency has repeatedly lobbied lawmakers on issues related to ‘data security and breach notification,’ according to federal disclosure forms,” the *Post* reports.

[Read the Post's article.](#)

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[Blank Rome Welcomes Former Small Business Administration](#)

Deputy GC in Washington, D.C.

Blank Rome LLP announces that Martin Teckler has joined the firm as a partner in the Finance group in the Washington, D.C., office. He joins the firm from Kelley Drye & Warren LLP.

As former deputy general counsel for the U.S. Small Business Administration and senior counsel for the SBA's Business Lending, Small Business Investment Company, and Development Company programs, Teckler routinely prepared security transactions and interacted with sources of lending and venture capital for small businesses.

In a release, the firm says:

In his private practice, Teckler primarily represents lenders who participate in government-guaranteed loan programs—particularly SBA and U.S. Department of Agriculture programs, among other agencies—that make assistance available to small and mid-sized businesses. Furthermore, Teckler represents private equity funds, which are often licensed as Small Business Investment Companies (“SBICs”) and regulated by the SBA, that make investments in the middle-market and small businesses. His experience also includes the formation and licensing of multiple SBICs, including the structuring of fund entities, representation of principal groups before the SBA, resolution of investor issues, obtaining leverage from the SBA, and resolving regulatory matters on behalf of licensed SBICs. Teckler has also structured multiple venture capital and private equity investments by SBICs and other funds in a manner that complies with applicable SBA regulations.

“We are thrilled to welcome Martin to the firm,” said Alan J. Hoffman, Chairman and Managing Partner. “Martin’s previous role as deputy GC for the SBA for more than a decade brings substantive, first-hand knowledge of what it

takes to close an SBA-related transaction to Blank Rome. His insider experience at the SBA will be an excellent addition to the team's capabilities, and we look forward to offering his knowledge of funding sources and related programs to our clients."

"Martin's experience with the SBA and other federal agencies, combined with his private practice experience, provides him with a unique perspective," said Lawrence F. Flick II, Partner and Chair of Blank Rome's financial services industry team. "Focused on achieving successful outcomes for his clients, Martin is a top-notch negotiator, blending his government experience with knowledge of the law to consider all possible outcomes and deliver unique solutions for his clients."

In addition to his work with small to mid-size businesses and lenders, Teckler also has experience in government contacts, mergers and acquisitions—particularly with businesses that are acquiring or investing in other businesses—securities, and securitization and secondary market work in securities generated out of loan programs where originators sell portions of loans in secondary market transactions or securitization transactions.

"I am very excited to join Blank Rome, as the Firm's client base is very compatible with my existing clients," said Mr. Teckler. "Additionally, I look forward to tapping into Blank Rome's vast resources and legal talent within the mergers & acquisitions group and financial services industry team, allowing me to better serve my existing clients while simultaneously enhancing Blank Rome's current service offerings."

Teckler is a frequent speaker on SBICs, Certified Development Company, and Small Business Lending Fund matters. He participates in, and has presented before, the Small Business Investor Alliance and the National

Association of Government Guaranteed Lenders. Mr. Teckler earned his J.D. from George Washington University Law School and his B.A. from Boston University.

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[Valeant's Latest Legal Threat Could Be Especially Costly](#)

Valeant Pharmaceuticals International Inc. has been selling assets, paying down debt and riding a recovery of its shares from their lowest point last spring. But one big uncertainty – its potential legal costs – just got bigger, [reports Bloomberg](#).

Mutual fund company Lord Abbett & Co. filed a securities fraud lawsuit against Valeant, alleging that it bought shares in the drug giant at an artificially high price because of misinformation provided by Valeant, write [Greg Farrell](#) and [Neil Weinberg](#). The suit, alleging violations of New Jersey's racketeer influenced and corrupt organizations (RICO) law, represents a new and potentially costly legal attack on Valeant, which is already facing lawsuits over alleged manipulation of drug prices.

“If other investors were to follow Lord Abbett's lead, Valeant's legal exposure could balloon,” according to Bloomberg. “In its filings with the Securities and Exchange Commission, Valeant says that the class action suits are

without merit and that it intends to fight them.”

[Read the Bloomberg article.](#)

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[Seven Charged in U.S. Insider Trading Ring](#)

Reuters [is reporting](#) that U.S. authorities announced insider trading charges accusing seven people of generating more than \$5 million of profit based on tips from a Bank of America Corp. employee about dozens of pending corporate transactions.

The alleged tipster, Daniel Rivas, who later worked at Royal Bank of Canada, and James Moodhe, the father of Rivas' girlfriend, both pleaded guilty to charges of fraud, conspiracy, and making false statements to Federal Bureau of Investigation agents, report [Brendan Pierson](#) and [Jonathan Stempel](#).

“Prosecutors said Rivas, who worked in Bank of America's capital markets technology group, leaked material nonpublic information about potential mergers, acquisitions and tender offers involving clients and prospective clients more than 50 times to co-conspirators, who then traded on the tips,” according to the report.

[Read the Reuters article.](#)

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[GM Accuses Bankruptcy Trust of Secret \\$1 Billion Stock Plot](#)



General Motors Co. accused the trust set up to handle its bankruptcy claims of secretly plotting with plaintiffs' attorneys to make it pay \$1 billion in stock as part of a \$15 million class-action settlement. [Bloomberg Law](#) is reporting.

As Bloomberg's [Erik Larson](#) explains, the accord will pit GM against the "Old GM" General Unsecured Creditors Trust for the first time since the 2009 bankruptcy sale created the split to save the company.

Larson writes that attorney Steve Berman said that the settlement "between the plaintiffs and the trust for old GM will resolve hundreds of personal-injury cases stemming from GM's faulty ignition switches, as well as a class-action suit over millions of vehicles that allegedly lost value due to a series of recalls in 2014."

[Read the Bloomberg article.](#)

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Has the Era of the Consumer Class Action Waiver Passed?

As a result of a rule imposed by the Consumer Financial Protection Bureau, consumer contracts entered into after March 19, 2018, with a wide range of consumer financial services companies will need to be revised in regard to their agreements' arbitration clauses.

Pillsbury Global Sourcing explains on its website that those companies "will need to: (a) remove language in pre-dispute arbitration provisions that bars consumers from participating in class actions; and (b) add language informing consumers of their rights to participate in class actions. The Rule will also require such companies to provide information on individual arbitration awards to the CFPB for publication in a public database (redacting consumers' private financial information)."

[Read the article.](#)

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PwC to Pay \$1 Mln to Settle Merrill Lynch Audit Complaint



Reuters is [reporting](#) that accounting company PricewaterhouseCoopers LLP will pay \$1 million to settle a civil complaint alleging it conducted a flawed audit into Merrill Lynch's compliance with federal brokerage customer protection rules, U.S. audit watchdogs said on Wednesday.

"The PCAOB's penalty against PwC comes a little over a year after the Securities and Exchange Commission ordered Bank of America's Merrill Lynch to pay \$415 million to settle charges it had put its brokerage clients' cash at risk in violation of customer protection rules," writes [Sarah N. Lynch](#).

[Read the Reuters article.](#)

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New U.S. Rule on Class Actions Survives First Challenge



A new U.S. rule aimed at restoring consumers' ability to band together to sue financial companies has survived its first challenge, as a top banking regulator said he would not petition for it to be suspended, [Reuters reports](#)

[Lisa Lambert](#) and [Pete Schroeder](#) write that the Consumer Financial Protection Bureau's rule abolishing "mandatory arbitration clauses" was released on July 10, and was immediately threatened by Republicans in Congress and President Donald Trump's administration.

Acting U.S. Comptroller of the Currency Keith Noreika publicly argued with CFPB Director Richard Cordray, appointed by former President Barack Obama, a Democrat, over whether the rule could endanger the banking system.

[Read the Reuters report.](#)

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[Wells Fargo Lawyer Accidentally Releases Trove of Data on Wealthy Clients](#)



A Bressler, Amery & Ross lawyer representing Wells Fargo, responding to a third party subpoena in a case between two financial advisors, produced documents without redaction or confidentiality designations that revealed "billions of dollars of client

account information, from residents of numerous states and possibly Europe.”

[Above the Law](#) describes how the mistake got worse: “To compound the issue, [the lawyer] alleges that plaintiffs showed the documents – which, remember, weren’t protected by a confidentiality agreement – to the New York Times, which then wrote about the consumer information that was produced. All in all, an incredibly messy affair.”

Kathryn Rubino writes that a broadly worded confidentiality agreement could have mitigated the damage.

[Read the Above the Law article.](#)

[Defense Lawyer: Shkreli Would Lose \\$65 Million If Convicted](#)

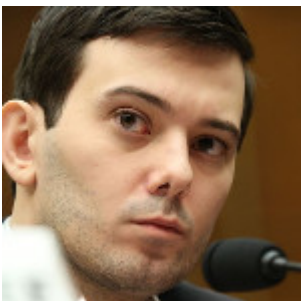


Image by [OversightandReform](#)

A defense lawyer says former pharmaceutical CEO Martin Shkreli would lose a \$65 million stake in a drug company he founded if he’s convicted at his securities fraud trial, reports the

Associated Press through [ABC News](#).

The lawyer told jurors that a drug company official who testified against Shkreli was biased because the company would benefit financially if Shkreli is convicted of a felony.

“Shkreli is best known for raising the price of a life-saving drug by 5,000 percent and trolling his critics,” the AP reports.

[Read the article.](#)

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