BETTER MARKETS

RAP SHEET ONE-PAGER

Better Markets' 2023 Rap Sheet Report

Wall Street's Ongoing Crime Spree

October 12, 2023

For years, Better Markets has been tracking the enforcement actions against the nation's six largest banks (the "Six Megabanks"), along with some of the most prominent civil cases. The number of actions and the dollar amounts of penalties and damages imposed on the banks have grown with each passing report. And the violations and fines keep piling up, apparently having no impact on the lawbreaking habits at these banks.

In the last 23 years, the six megabanks have been the subject of 490 legal actions against them and more than $207 billion in fines and settlements. Over the past 15 months, since the most recent report in May 2022, the pattern of illegal conduct by the Six Megabanks has continued. Their RAP Sheets now include 60 more new cases, which have resulted in over $9 billion in additional fines arising from the banks' ripping off, discriminating against, or financially endangering their customers.

In short, the banks continue their lawbreaking as "business as usual." That means routinely breaking the law, getting sweetheart settlements, paying fines that are less than the cost-of-doing-business, and moving on to commit even more violations of law. Adding insult to injury, the responsible individuals at the banks almost always walk away unpunished, with their pockets stuffed with bonus money. Our Rap Sheet Report confirms that the Six Megabanks are not only too-big-to-fail but also too-big-to-manage, too-big-to-regulate, and decidedly too-big-to-jail.

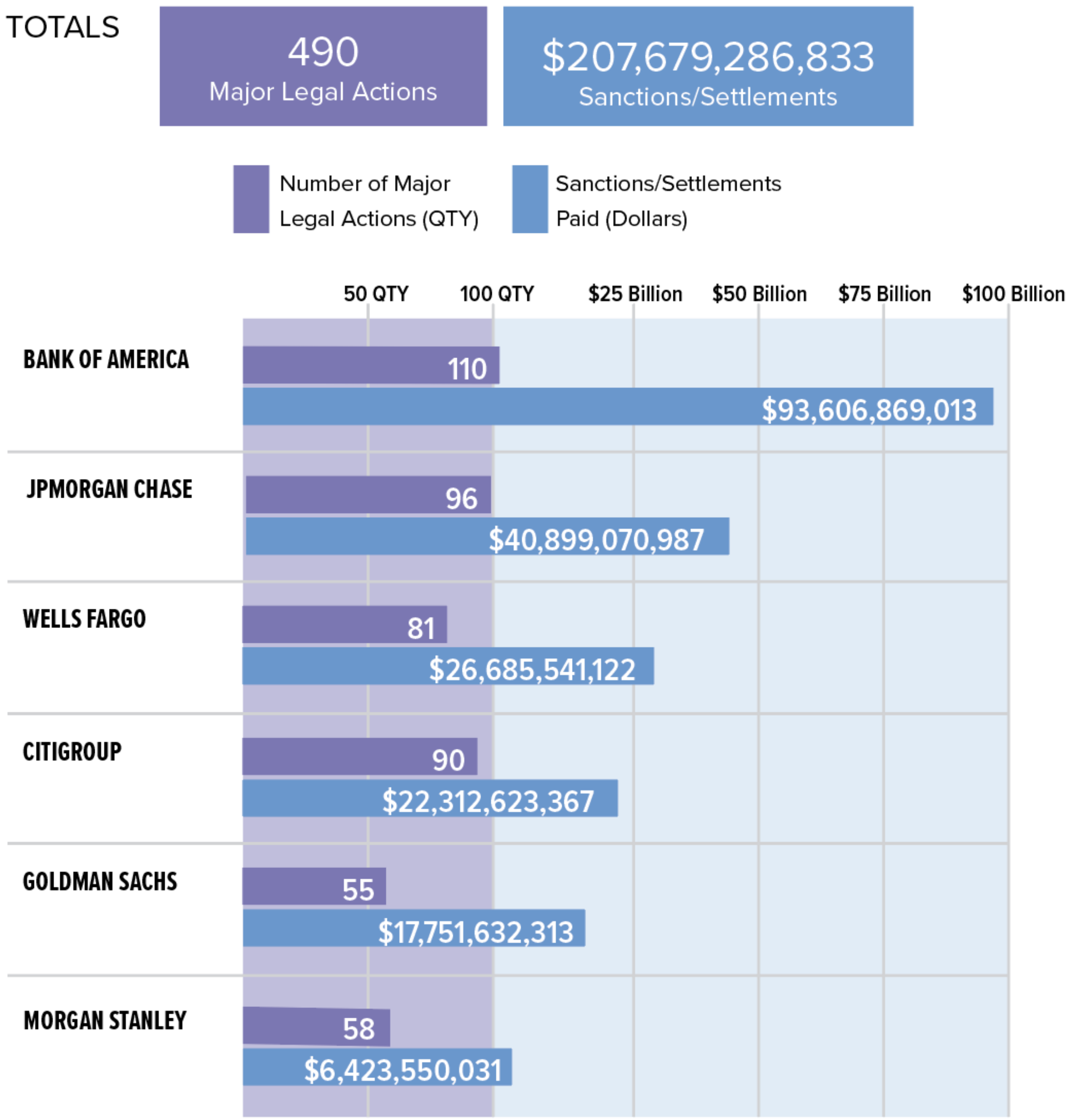
Here's just a sample of what's new in this Rap Sheet:

- In December 2022, Wells Fargo was required to pay more than $2 billion in redress to consumers, as well as a $1.7 billion civil penalty, in a consent order with the CFPB to resolve allegations that the company repeatedly misapplied loan payments, wrongfully foreclosed on homes and illegally repossessed vehicles, incorrectly assessed fees and interest, and charged surprise overdraft fees, along with other illegal activity affecting over 16 million consumer accounts.
- In May 2023, Wells Fargo agreed to pay its shareholders $1 billion to settle a class-action lawsuit alleging the bank and its former leadership misled investors and the public about its response to allegations that the bank was improperly opening consumer accounts without permission.
- In May 2023, Goldman Sachs agreed to pay $215 million to settle a years-long class action lawsuit that claimed the bank discriminated against women employees' pay, performance evaluations, and promotions.

- In June 2023, JPMorgan agreed to pay roughly $290 million to settle a class-action lawsuit by victims of Jeffrey Epstein alleging that the bank not only ignored but in fact facilitated Epstein's crimes because he had been a valuable client and helped introduce new wealthy clients to the bank.
- In July 2023, the OCC and the CFPB collected $150 million in penalties and $100 million in disgorgement from Bank of America for illegally charging junk overdraft fees, withholding credit card rewards, and opening fake accounts.
- In August 2023, Citigroup agreed to pay a $2.9 million fine to the SEC to settle charges that the bank's broker-dealer unit intentionally violated record-keeping requirements with respect to the expenses incurred in its underwriting business.
- In August 2023, Morgan Stanley agreed to pay 5.41 million British pounds—equal to approximately $6.82 million—to the United Kingdom's energy markets regulator to settle allegations that its traders used banned messaging applications that violated requirements to retain written communications.
- In September 2023, Goldman Sachs agreed to pay the CFTC a $30,000,000 fine for failing to diligently supervise a wide range of its swap dealer activities, and for unprecedented failures regarding swap data reporting and the disclosure of Pre-Trade Mid-Market Mark Disclosures in violation of multiple sections of the Commodity Exchange Act (CEA) and CFTC regulations.

The Twenty-Three Year Overview

The report now details each of the 490 major legal actions that the Six Megabanks have been involved in over the past 23 years, which have resulted in over $207.7 billion in fines and settlements. Here's the bank-by-bank snapshot:



The violations giving rise to these major legal actions were serious and wide-ranging, spanning almost every conceivable type of financial crime or violation. They encompass everything from fraud, money laundering, and market manipulation to foreclosure abuses, unlawful debt collection practices, antitrust violations, conflicts of interest, and kickback schemes.

How to Fix it

How and why does this keep happening? The answer is three-fold. **First**, the opportunity to acquire vast corporate and personal wealth in a very short period of time is irresistible for too many banks and their executives. **Second**, enforcement is so infrequent, ineffective, and weak that it virtually rewards past lawbreaking and incentivizes future lawbreaking. In fact, these cases represent a failure of the cops on the Wall Street beat, who are supposed to punish and deter illegal activity in our financial markets. And rarely are high-level bank executives or board members involved in the misconduct held accountable. **Third** and finally, the banks' lawbreaking is treated as if it were an isolated misstep by a firsttime offender, rather than just the latest egregious example of recidivism that would have resulted in any other business in American being shut down as a corrupt if not criminal enterprise. The media has contributed to this fundamental misperception, by failing to inform the public about what is really going on with these banks and their incessant lawbreaking.

The first factor will always be present, but it can be influenced by appropriate regulation and supervision, such as the SEC's rules requiring more disclosure of executive compensation and placing limits on compensation arrangements that encourage inappropriate risks. The second is something regulators and prosecutors can do something about. That must include making the punishment actually fit the crime and meaningfully sanctioning individual executives, board members, and supervisors personally. The third factor is easily addressable by treating recidivist banks and bankers as the repeat offenders they are. That means treating them like everyone else gets treated in America when they break the law. The media could help address all of these problems by properly reporting on the crime spree. And overarching all of these measures is the need for more public disclosure of supervisory information related to the unlawful behavior and risky practices at banks to leverage the power of market discipline.

Learn more in our report.

Better Banks | Better Businesses

Better Jobs | Better Economic Growth

Better Lives | Better Communities

Better Markets is a public interest 501(c)(3) non-profit based in Washington, D.C. that advocates for greater transparency, accountability, and oversight in the domestic and global capital and commodity markets, to protect the American Dream of homes, jobs, savings, education, a secure retirement, and a rising standard of living.

Better Markets fights for the economic security, opportunity, and prosperity of the American people by working to enact financial reform to prevent another financial crash and the diversion of trillions of taxpayer dollars to bailing out the financial system.

By being a counterweight to Wall Street's biggest financial firms through the policymaking and rulemaking process, Better Markets is supporting pragmatic rules and a strong banking and financial system that enables stability, growth, and broad-based prosperity. Better Markets also fights to refocus finance on the real economy, empower the buyside, and protect investors and consumers.

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