



By William Cohan

After almost 30 years in Washington, Bart Chilton will soon be taking his leave. For the past 6 1/2 years, he has been an outspoken member of the Commodity Futures Trading Commission, one of the financial industry's most important regulators.

Chilton leaves behind a sobering message: As we long suspected, Wall Street continues to use every trick in its playbook to do whatever it can to eviscerate numerous post-financial-crisis rules. The arsenal includes high-powered lobbyists who outnumber lawmakers 10-to-1; \$1,000-an-hour letter-writing lawyers who gain strength from negotiating over arcana; and the occasional hoodwinking of a president whose knowledge of the ways of finance are close to nil.

In a recent interview, Chilton said that, despite years of hard work by financial regulators to put the 2010 Dodd-Frank law into force (witness the 882 pages required to explain a 71-page Volcker Rule), their efforts will be futile in the face of Wall Street's money and power. "The lesson for me is: The financial sector is so powerful that they will roll things back over time," Chilton says. "The Wall Street firms have tremendous influence, and they can impact policy to a greater degree than any one regulator or a small group of regulators can."

Through the years, Chilton has discerned Wall Street's four-pronged strategy, or what he has dubbed the "D.C. Quadra-Kill," to get its way. He says the first thing Wall Street's army tries to do is kill outright any legislation that it finds onerous or distasteful. If that fails, Wall Street pushes to defund the legislation or the agency, including the CFTC and the Securities and Exchange Commission, enforcing the rules.

In fiscal 2013, for example, the CFTC requested funding of \$308 million and got only \$195 million (\$10 million less than the previous year) despite many new responsibilities. "There are crooks who are getting away with crimes because we don't have the resources to go after them," Chilton says. The SEC has a similar discrepancy between its appropriation and what it needs to fulfill legal mandates.

With its regulators overwhelmed and underfunded, Wall Street firms then move to the relentless negotiation stage. “As you try to deal with the regulatory agency,” he says of Wall Street, “the first thing you do is you say, ‘Well, would you exempt us?’ And when that doesn’t work, you try to ameliorate your regulation.” If that strategy fails, the industry defaults to litigation.

The CFTC’s recent approval of rules to establish position limits on certain types of trades got the “full-on Monty Quadra-Kill” from Wall Street, Chilton said, although the outcome was far less favorable to the banks than they had hoped. Of course, they already are contemplating taking legal action against the parts of the just-completed Volcker Rule that they find distasteful.

Chilton said he has noticed one additional tactic that Wall Street has been employing lately: stalling or thwarting nominees to regulatory agencies. The nomination of Timothy Massad, the U.S. Treasury Department official who managed the Troubled Asset Relief Program, to replace Gary Gensler as CFTC chairman came late in the year and a confirmation vote has now been delayed, probably to February 2014. That means further Dodd-Frank rule-writing and enforcement could be delayed, too, because only two of five commissioners will be seated and they would both have to agree to get anything done. “It’s a gift to Wall Street,” he said. “This is what they’ve been trying to do. They’ve been trying to stop Dodd-Frank.”

Chilton knows why Wall Street always seems to win. Financial-industry executives contribute more money “in every election, than any other sector, and they have made more profits in every single quarter since the fall of 2008 when many of them helped crash the economy,” he explains. “So while the rest of the nation is suffering still, and trying to get a leg up to get out of the ditch, the financial sector didn’t miss a beat.”

In case you didn’t catch Chilton’s meaning, here is the shorter version: Unless and until Wall Street’s disproportionate ability to bully Washington is curtailed, the rest of us will be held hostage to its agenda. For those interested in the fuller version, Chilton has been writing a book. Its working title: “Theft.”