

11 of 21 DOCUMENTS

American Banker

September 15, 2009 Tuesday

Obama Tries to Reenergize Stalled Reg Reform Effort

BYLINE: Cheyenne Hopkins

SECTION: WASHINGTON; Pg. 4 Vol. 174 No. 172

LENGTH: 844 words

WASHINGTON - President Obama tried to add momentum to his flagging regulatory reform effort on Monday, marking the first anniversary of the failure of Lehman Brothers by touting his plan.

But many observers said that, though his speech reinforced the administration's commitment to reform, it did little to push the ball forward.

With the House and Senate still on different reform tracks and steadfast opposition to two central parts of reform, Obama showed no sign of being willing to compromise and did little to confront critics' arguments head on.

"It was a missed opportunity in that he didn't really explain why this is needed to the American people," said Mark Calabria, a former Republican Senate aide and now the director of financial regulation studies at the Cato Institute. "We clearly didn't hear anything new, ... I don't think he did anything to convince those in the middle of the road."

With much of the political world focused on health-care reform, the president appeared to signal that a financial services overhaul is still a priority for him. He reiterated that he hopes Congress will act this year - an increasingly unrealistic timeline by most estimates - and warned that bankers and other lenders cannot return to business as usual now that the crisis appears to be passing.

"The growing stability resulting from these interventions means we are beginning to return to normalcy," President Obama said in a speech at Federal Hall in the heart of New York's financial district. "But what I want to emphasize is this: Normalcy cannot lead to complacency. ... We will not go back to the days of reckless behavior and unchecked excess at the heart of this crisis, where too many were motivated only by the appetite for quick kills and bloated bonuses."

Many observers said the speech appeared to be a message to the industry that he is serious about regulatory reform. "The president wanted to send a message while health care has dominated the news, 'I haven't forgotten about regulatory reform,'" said Richard Hunt, president of the Consumer Bankers Association.

But when reform can be enacted is a big question mark. With Senate Banking Committee Chairman Chris Dodd splitting his time between health-care and banking issues, observers said it will be a struggle for him to pass significant reform this year.

Even the House is moving on a slower track than lawmakers intended. House Financial Services Committee Chairman Barney Frank had hoped to have his panel pass a bill creating a new consumer protection agency in July, but the earliest a vote is now expected is October.

Instead, the panel is scheduled to hold a series of hearings this month on reform. With Congress tentatively scheduled to adjourn Oct. 31 (a date that will undoubtedly slip at least a month), that leaves little time for a vote on the House floor and consideration by the Senate.

Lawmakers also have yet to resolve what are shaping up to be significant differences between the House and Senate bills. The Senate is considering legislation to create a single prudential regulator - an idea Frank has rejected - and senators remain steadfastly opposed to giving the Federal Reserve Board systemic risk oversight power, as Obama has proposed.

Some observers said Obama's speech was also an effort to refocus congressional attention on the issue.

"What he has to do is light a fire under Congress," said Dan Seiver, a finance professor at San Diego State University.

Some lawmakers said that message got through.

"It was a reminder that action is urgent," said Rep. Jim Himes, D-Conn., a former investment banker who now serves on the House Financial Services Committee and attended the speech. "As it happens, I flew back from New York with Chairman Frank. I know that this sort of redoubled the sense amongst us that we need to get some things done before the end of the year."

But many doubt there is much hope for lawmakers to move quickly enough.

"I'm hoping that it will [move this year], but I'm worried that it won't," said Alan Blinder, a professor at Princeton University and a former vice chairman of the Federal Reserve Board. "The good news is, we have Barney Frank carrying the torch in the House. The bad news is, there's not much going on in the Senate. I think the congressional calendar ... is way overcrowded."

Observers did read signs into Obama's speech. For example, when listing the benefits of regulatory reform, Obama mentioned the proposed Consumer Financial Protection Agency before moving on to systemic risk, an order some found significant.

"It was important he put the consumer protection agency as the first item, so that may tell you something about his sense of importance," said Lawrence White, a professor at the Stern School of Business at New York University.

The next few weeks will be crucial.

"The real question is [whether] Obama is putting his reputation behind this in order to get it moving," said Gil Schwartz, a partner at Schwartz & Ballen. "I don't see it kick-starting the legislation any time soon."

Stacy Kaper contributed to this article.

URL: <http://www.americanbanker.com/>

LOAD-DATE: September 14, 2009

LANGUAGE: ENGLISH

PUBLICATION-TYPE: Newspaper

JOURNAL-CODE: AB

Copyright 2009 SourceMedia, Inc.
All Rights Reserved