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Frank proposes greater Fed disclosure

Negotiations start on reconciling versions of bill

By Scott Lanman and Craig Torres, Bloomberg News | June 16, 2010

WASHINGTON — Barney Frank, the House's chief negotiator on an overhaul of financial regulation, proposed yesterday dropping a provision making the president of the Federal Reserve Bank of New York a White House appointee, while also requiring more disclosure from the central bank.

Frank, chairman of the House Financial Services Committee, would instead reduce the role of commercial banks in choosing all 12 regional Fed chiefs. His measure, made on the first formal day of negotiations of a conference committee to reconcile the House and Senate versions of the bill, counters a proposal by Senate Banking Committee chairman Chris Dodd, who wants to make the New York Fed chief a political appointee as part of efforts to avoid what he said are "conflicts of interest."

"There is going to be a debate," said Karen Shaw Petrou, managing partner at Federal Financial Analytics, a research firm based in Washington whose clients include America's biggest banks. "For Senator Dodd to just roll and say 'sure' on the Frank offer would put him in a difficult position."

Frank aims to increase transparency at the Fed as part of financial-regulatory overhaul legislation that would also grant the central bank a bigger role in overseeing Wall Street. His proposal would mandate an unprecedented level of disclosure by the Fed.

The joint conference committee is scheduled to discuss the Fed provisions today.

The aim is "complete transparency" from the Fed, Frank told reporters during a break in talks. "The Fed will not be interacting with any private party without that ultimately becoming public, although not right away because you don't want it to affect markets," Frank said.

Treasury Secretary Timothy F. Geithner does not favor making the New York Fed president, a position he once held, a presidential appointee. Dodd, a Connecticut Democrat, has the support of some senators such as Vermont independent Bernard Sanders, who called the proposal "a great thing."

The proposal by Frank, a Massachusetts Democrat, may satisfy some of the concerns raised by Dodd, said analysts, including Mark Calabria, a former member of the Republican staff on the Senate Banking Committee who is now director of financial regulation studies at the Cato Institute in Washington.

"Central bank Chairman Ben S. Bernanke and several regional Fed presidents opposed the measure making the New York Fed chief a presidential appointee subject to Senate approval.

The 12 regional Fed presidents are each selected by a nine-member board of directors and approved by the Fed's Board of Governors in Washington. ■

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