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## Frank Says Senate's Stronger Rules Will Sway Financial Bill

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By Phil Mattingly

May 17 (Bloomberg) -- The U.S. Senate bill to overhaul financial regulations is stronger than a version passed in December by the House, and it is likely to stay that way when Congress comes together to merge the two bills, according to House Financial Services Committee Chairman Barney Frank.

Frank, a Massachusetts Democrat, said some parts of the Senate legislation go beyond his bill. The House section on the regulation of derivatives, for example, was criticized by consumer advocates, including Washington-based Americans for Financial Reform, and Commodity Futures Trading Commission Chairman Gary Gensler for creating loopholes for financial firms to receive exemptions from much of the new regulations.

"There were votes I lost on the floor of the House that we would have won if we had been doing them now because of the public attention," Frank said in a May 13 interview.

The public focus on the nation's largest banks -- and on congressional efforts to overhaul regulations -- has given lawmakers license to increase pressure on Wall Street. President Barack Obama, in his weekly radio address on May 15, called the Senate measure "a strong bill" that would be a "cornerstone for economic growth." Frank said the conference would "strengthen" any legislation passed by the Senate.

The Senate may hold a final vote on its bill as early as the end of this week. While Senate leaders have been silent on what comes after that vote, Frank, 70, said he expects a "fairly quick conference" of "a week to 10 days" to merge the two measures.

### C-Span Conference

Wall Street and the public will be able to watch the joint discussions if Frank gets his way. "I think it's very likely it will be on C-Span," Frank said. "There was all this talk about doing that for health care, and I think we should do it with this bill."

Senate Banking Committee Chairman Christopher Dodd, a Connecticut Democrat, has spent the past two weeks shepherding his bill through the amendment process on the Senate floor.

The overhaul, based on a proposal by Obama, among other things would create a resolution authority to wind down systemically risky financial firms, a bureau to regulate consumer financial products and an oversight structure for trading over-the-counter derivatives. Derivatives are financial instruments based on the value of another security or benchmarks such as stock options.

### Profit Centers

Wall Street profit centers have been targeted by some of the changes made by the Senate, such as restructured oversight of the credit-rating industry and a crackdown on debit-card fees charged by banks including JPMorgan Chase & Co., Bank of America Corp. and Wells Fargo & Co.

Visa, the world's biggest payments network, dropped \$8.47, or 9.9 percent, to \$77.26 at the close of New York Stock Exchange composite trading on May 14, and has fallen 20 percent from a closing high of \$96.59 on April 23. MasterCard fell \$19.86, or 8.6 percent, to \$212.45, also sliding 20 percent in three weeks.

Shares of Moody's Investors Service and McGraw-Hill Cos., the parent company of Standard & Poor's, tumbled on the May 13 passage of an amendment adopted that would let regulators decide who rates asset-backed securities. Moody's closed at \$21.70, down 2.7 percent, on May 13 after falling as much as 6.8 percent in New York Stock Exchange composite trading. McGraw-Hill dropped as much as 4 percent to \$28.75, before ending the day at \$29.23, down 2.4 percent.

"Things have changed since the House voted," said Robert Litan, vice president of research and policy at the Kansas City-based Kauffman Foundation. "The public has gotten a lot angrier and the game has changed due to a rise in the anti-bank fever."

### Goldman Suit

The shift in the debate is linked to the federal suit filed April 16 against Goldman Sachs Group Inc. and the completion of the health care overhaul debate, according to Frank.

"It was health care," Frank said. "Goldman had an impact, but Goldman last year wouldn't have had the same impact with health care blocking out the sun."

The day after Obama signed the health-care bill into law, the president hosted a meeting at the White House with Frank and Dodd. Frank said he realized then that Senate and House Democrats would not be far apart on financial-industry rules.

"We are much closer than most major bills usually are when they come to a conference," Frank said, noting that House and Senate staffs have been meeting in recent weeks behind closed doors with the administration.

### Compressed Calendar

Congress faces a compressed calendar as it moves into the summer, with time needed on the Senate floor to consider bills to extend dozens of tax breaks, spending bills, a nominee for Supreme Court justice and three Federal Reserve governors.

There has been no decision on whether to hold a House-Senate conference on the regulatory bill, Regan Lachapelle, a spokeswoman for Senate Majority

Leader Harry Reid, said last week. The danger of taking a bill to conference would be giving members from opposite wings of the Democratic party a platform to chip away at Senate compromises, said Mark Calabria, a former Republican staff member on the Senate Banking Committee.

"The question for leadership becomes: Can you keep people out who are trying to drive that wedge between the progressive wing of the party and the Wall Street wing of the party?" said Calabria, who is now the director of financial regulation studies at the Cato Institute.

In lieu of a conference, the House could pass the Senate bill as is, or amend the Senate bill and send it back across the Capitol Building for another Senate vote. Frank said he would oppose that process.

'Public Concerns'

"Given the public concerns now, to do this without a fully open process would be a grave mistake," Frank said.

House Speaker Nancy Pelosi, a California Democrat, said on May 13 that House Democrats were looking forward to Senate completion of the bill "so that we can go to conference and send a very clear message: never again will recklessness on Wall Street cause joblessness on Main Street."

There are still hurdles to overcome. The Senate has scheduled more amendment votes this week and Dodd and Reid still need at least one Republican vote to assure passage of the bill.

The House and Senate bills still contain some major differences. Frank, in March, called the Senate proposal to place a Consumer Financial Protection Agency inside the Federal Reserve "a joke." The Senate made changes to lessen the scope of an audit of the Fed, creating a difference in the legislative language co-sponsored by 319 members of the House. In addition, differences will remain when the Senate completes its derivatives language.

The Senate changes will likely have to remain largely in place, said Litan of the Kauffman Foundation.

"The constraining factor is the House can't do things that upset the key things that matter to Republicans in the Senate," Litan said.

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