

## Obama's Bank Revamp May Stall as Congress Tackles Rival Issues

By Alison Vekshin



June 16 (Bloomberg) -- The Obama administration's revamp of U.S. banking and market regulations may be stalled into next year as Congress and the president set health-care reform and climate control as domestic priorities.

The ability of banks to repay U.S. aid and raise capital without government help may signal the economy is rebounding, easing pressure for sweeping change in financial rules. A delay this year may push the political debate into the 2010 congressional election campaign.

"It seems like some of the fire in the discussions has gone out of it," said **Alex Pollock**, a fellow at the American Enterprise Institute in Washington and former president of the Chicago Federal Home Loan Bank. "Regulatory reform is always a popular topic in the wake of a bubble and bust."

President **Barack Obama's** proposal, to be announced tomorrow, is the biggest overhaul of financial rules since the Great Depression, which spawned the Federal Deposit Insurance Corp. and Securities and Exchange Commission. The plan may give the Federal Reserve more power and merge the Office of Thrift Supervision, regulator of savings-and-loans, with the Office of the Comptroller of the Currency, which oversees national banks.

The Fed would be put in charge of monitoring firms for systemic risk and a resolution mechanism would be set up to unwind non-bank financial institutions, Treasury Secretary **Timothy Geithner** wrote in a Washington Post commentary yesterday with **Lawrence Summers**, director of the White House National Economic Council. The SEC may get new powers after the agency failed to detect **Bernard Madoff's** \$65 billion Ponzi scheme.

'No Fundamental Change'

Obama's regulatory proposals may be scaled back because lawmakers and the public perceive the financial crisis has abated and support for more aggressive options has faded, said **Peter Solomon**, founder of investment bank Peter J. Solomon & Co.

"Regulation's going to be the same thing," said Solomon, 70, counselor to the U.S. Treasury in the Carter administration. "There's really been no fundamental change; there's been a papering over, and this is it again."

The Obama plan creates a council of regulators to monitor threats, according to the commentary. Regulators including FDIC Chairman **Sheila Bair** and SEC Chairman **Mary Schapiro** have criticized the concept of a single systemic-risk regulator.

"A committee function is not as good as clear-cut authority," said **Dan Lufkin**, co-founder of Donaldson Lufkin & Jenrette Inc., acquired by Credit Suisse AG in 2000.

Lawmakers including Senator **Richard Shelby** of Alabama, the ranking Republican on the Banking committee, oppose expanding the Fed's powers, citing the central bank's failure to exercise its existing responsibilities.

#### Fed Powers

"Congress is not going to expand the Fed's authorities," said **Gary Townsend**, president of Hill-Townsend Capital in Chevy Chase, Maryland. "The Congress is unhappy with the independence of the Fed and would like to be more restrictive."

Lawmakers and the administration may "tread water" until conditions improve, **Christopher Whalen**, managing director of Institutional Risk Analytics, said yesterday in an interview.

"You should not assume that they wanted to do anything real," Whalen said. "Nobody on the Hill is looking for a revolution. They barely understand the subject matter."

**House Financial Services Committee** Chairman **Barney Frank**, whose committee will write and debate the legislation, said he plans to get the measure passed before the August recess.

Frank's timetable will compete with a climate-change measure being pushed for a vote this month by Representative **Henry Waxman**, chairman of the Energy and Commerce Committee. House Speaker **Nancy Pelosi** hasn't scheduled a vote.

#### 'Major Bill'

"The two major bills that we want to get through are energy and health care, but this is a major bill as well," said **Brendan Daly**, a Pelosi spokesman.

The climate-change measure, among Obama's priorities, would establish a federal cap-and-trade system for cutting greenhouse gas emissions tied to global warming.

In the Senate, Banking Committee Chairman **Christopher Dodd** is managing the health-care bill for ailing Senator **Edward Kennedy**. Dodd, second-ranking Democrat on Kennedy's health panel, said two weeks of work on the measure will begin today.

The Senate won't consider financial oversight until after the August recess, said **Jim Manley**, spokesman for Senate Majority Leader **Harry Reid**.

Obama is scheduled to announce the plan while discussing the economy and on June 18 Geithner is scheduled to present the plan to the House and Senate banking committees.

Lawmakers have "an impetus" to act on regulations, and such backing will prevent the measure from dying, said **Camden Fine**, president of the Independent Community Bankers of America.

"Competing interests will slow it down; they're not going to kill it," Fine said yesterday in a telephone interview. "I don't think comprehensive regulatory reform will get through the Congress this year."

Next year, a third of the Senate and the entire House will be up for re-election, a time when legislation typically gets slowed or stalled by political campaigns.

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