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Frank Predicts House Will Finish Financial Regulation Overhaul by August

By Phil Mattingly, CQ Staff

The House will complete a bill to overhaul regulation of the financial system before the August recess, the Financial Services chairman said Tuesday.

Outlining more of his plans for one of the most far-reaching regulatory changes in recent memory, Barney Frank, D-Mass., said in an interview that he would move a single bill to set up a mechanism to monitor financial institutions that pose a systemic risk to the entire economy, as well as address other gaps in the regulatory system that critics blame for the worst economic collapse since the Great Depression.

Frank's committee is tentatively scheduled to hold at least four hearings on the regulatory overhaul this month, with a markup possible in late June. It remains unclear whether the legislation will be ready for action that soon, sources familiar with the process said June 1.

Despite Frank's ambitious schedule, hammering out the details of such complex legislation may take considerable time, particularly in the Senate. The effort will also set off an intense lobbying battle by the financial industry, consumer groups and others with a stake in how financial markets work and are monitored.

At the same time, there is widespread recognition that existing regulations are inadequate, increasing the chances for action this year.

A primary concern has been the proposed creation of a single regulator to oversee risks to the entire financial system, such as the collapse of one or more major banks. Some policy makers want the Federal Reserve to take on that responsibility.

While the Obama administration backs the idea, according to several sources familiar with negotiations, several lawmakers of both parties have dismissed the idea in recent months.

Frank, who has supported the Fed taking the role, said Tuesday that the authority to oversee systemically risky institutions would likely go to "some combination of existing federal regulators."

He also said that several other difficult issues, most notably the merging of some federal regulatory agencies, are unlikely to be addressed in the final bill.

The Obama administration floated what most perceived as a trial balloon last week when it proposed the creation of a single bank regulator. The responsibility is currently scattered among the Fed, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision and the Office of the Comptroller of the Currency.

But Frank continued to pan the idea Tuesday. "We would not have just one, and you're not going to have just one," he said.

He said he would resist combining the Securities and Exchange Commission and the Commodity Futures Trading Commission. Some lawmakers and administration officials suggest that doing so would streamline the regulation of derivatives products.

But such a move would likely set off a fierce turf battle in Congress involving both the committees that oversee the commissions and the industries each regulates. "If you were starting

from scratch, you would not have two,” Frank said. “But there is no way that you’re going to merge those.”

GOP Input

Frank said he would be open to Republican proposals during the markup process, but he was unsure of how much of a role they would play in the final bill.

“It depends on what they are,” he said of the alternatives. “Some of the Republicans — the major Republican presence on the committee I chair has been pretty conservative from the standpoint that they are pretty anti-regulation of any kind.”

But, he added, his committee hasn’t “gotten a bill yet where there weren’t some Republican amendments adopted.”

House Republicans have been circulating drafts of alternative proposals for the past few weeks and are expected to finalize a plan as early as this week, a House GOP aide said Tuesday.

Though a final bill’s path to President Obama’s desk is far from clear, Frank indicated that it is less rocky than many believe.

“It is helpful when you have a general agreement of where you want to go and on the outlines,” he said. “You know, if there’s strong ideological disagreement, the hearings will just be debate, but in this situation, there’s a pretty good consensus on the kind of things that need to be done.”