

Treasury brings regulatory road show to Charlotte

Reform bill strikes the right balance, Treasury official tells Charlotte Chamber Wednesday. By Christina Rexrode crexrode@charlotteobserver.com Wed, Aug. 04, 2010



Michael Barr, an assistant secretary for the Treasury, encouraged banks to take the lead on obeying the spirit of the law, even if the rules haven't been written yet. Charlotte was Treasury's second stop. PHOTOS BY DAVIE HINSHAW - dhinshaw@charlotteobserver.com

The U.S. Treasury brought its financial-regulation sales pitch to Charlotte on Wednesday, as one of the agency's top officials sang the praises of the measure that President Obama signed into law two weeks ago.

The 2,000-plus-page missive, which will create new rules on everything from capital requirements to credit reports, has skeptics on both sides. Some consumer groups say it doesn't go far enough and gives too much freedom to the financial industry. The banks say it goes too far, and that some of the rules will end up hurting, rather than helping, the economy.

Michael Barr, the Treasury's assistant secretary for financial institutions, told a crowd at

the Charlotte Chamber that the bill strikes the right balance, allowing finance firms room for innovation while giving the government the tools to prevent another economic crisis. He emphasized that the regulations aren't at odds with the markets.

"In fact, the opposite is true," Barr said, in a speech to about 70 bankers and other professionals at the Charlotte Chamber. "Markets rely on faith and trust. Markets require clear rules of the road. Consumers rely on the trust and fair dealing of financial institutions."

The old system, Barr said, can't remain because it has already failed. Bankers didn't always bother to understand the risks they were taking and the new products they were creating, and regulators didn't always have the tools to rein them in. And the cost has been high, measured in lost savings, lost jobs and struggling businesses brought about by the recession.

"Lots of people were hurt really horribly by the system we had in the past," he said.

Barr encouraged banks to take the lead on obeying the spirit of the law, even if the rules haven't been written yet. Gone are the days, he said, when banks could shop around for the most passive regulator, or when nontraditional finance companies like payday lenders and check cashers could avoid scrutiny.

Barr's appearance in Charlotte is part of a new campaign by the Treasury to raise support for the financial reform bill, which has been signed into law but is waiting for regulators to write the rules that will implement it. Charlotte is the second stop in the Treasury's roadshow, after Treasury Secretary Tim Geithner kicked things off in New York on Monday. It was a distinction not lost on Mayor Anthony Foxx, who helped introduce Barr.

"We got in before Boston and Philadelphia and Chicago," Foxx told the crowd, "in case you were wondering where we were in the pecking order."

Barr also met with leaders from Bank of America, LendingTree and the N.C. Bankers Association during his day-long visit to Charlotte. After his speech at the Chamber, UNC Charlotte professor Deborah Bosley introduced herself as a "plain-language expert," and Barr replied, "We need your help!" When investor Shawn Dorsch praised Rep. Mel Watt for his work on the reform bill, Barr called the Charlotte Democrat an "unsung hero" who has fought for the interests of Main Street.

Barr, 44, joined the Treasury last year as an Obama appointee. He'd also worked for the agency during the Clinton Administration, including a stint as then-Secretary Robert Rubin's special assistant. He played a key role in crafting - and persuading lawmakers to pass - the financial regulation bill that he touted.

Back in Washington, Barr is knee-deep in hammering out how the financial bill will be implemented. Like the rest of the Treasury, he's working on creating new organizations within the Treasury, including the Consumer Financial Protection Bureau, an Office of Financial Research, and a new insurance office. One of Geithner's top priorities, Barr said, is to raise capital requirements for financial institutions across the board. The Treasury also is focused on new rules for mortgage lenders and the agencies that issue credit reports, he said.

Bank of America spokesman Jim Mahoney said the bank supports transparency and fairness in the finance system, and will write comment letters to help shape how the new rules will be made. He said the bank is pleased that it will be allowed to continue to offer key products and services that customers want, like interest rate swaps and foreign-exchange products. Some earlier proposals would have limited the bank's ability to offer those products.

Mahoney did raise questions about potential new rules on how much capital a bank has to hold. High standards can help stabilize the system, he said, but standards that are too high will prevent banks from lending. "It's critical to keep in mind the tradeoff

between increased stability and increased lending," Mahoney said. "That's where capital standards have to be thought through very carefully."

Barr's name is being tossed around for two key government jobs: running the Consumer Financial Protection Bureau and running the Office of the Comptroller of the Currency, which regulates national banks such as Bank of America and Wells Fargo.

Barr declined comment on whether he'd take either job, noting that the decision is up to President Obama. He said that Elizabeth Warren, the TARP watchdog who is perhaps the front-runner for the consumer job, is "extremely talented" and "a thought leader on these issues."

Staff writer Rick Rothacker contributed.

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