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By Margaret Talev and Kevin G. Hall, McClatchy Newspapers - Mon Sep 14, 5:14 pm ET

WASHINGTON — A year after the collapse of Lehman Brothers ushered in the worst economic crisis since the Great Depression, President Barack Obama said Monday that although the nation was "beginning to return to normalcy," Congress still must pass new regulations on the financial industry to avoid a repeat.

"Normalcy cannot lead to complacency," Obama told a Wall Street audience in a speech at Federal Hall in New York in which he also defended as necessary his \$787 billion economic stimulus plan. He appealed to the financial community to support what he considers necessary changes in the way it does business, and to Congress to enact a regulatory overhaul by year's end. Both appear unlikely.

The president predicted with confidence that "the reforms I've laid out will pass and these changes will become law," but he urged Wall Street to work on its own to rebuild trust with American consumers.

"You don't have to wait" for legislation to pass before using "plain language" in dealing with consumers, voluntarily seeking shareholder votes on senior executive bonuses, changing which employee behaviors are rewarded and working harder to modify mortgages or to extend credit to small business owners, Obama challenged the financiers.

He asked them "to embrace serious financial reform, not fight it."

He also issued a moral challenge: "It is neither right nor responsible, after you've recovered with the help of your government, to shirk your obligation to the goal of wider recovery, a more stable system and a more broadly shared prosperity."

The president was referring to the heavy lobbying being conducted by financial firms that are interested in watering down his proposed regulations. Banks and the U.S. Chamber of Commerce are fighting Obama's proposal to strip consumer protection from the current hodgepodge of regulators and give it to a new agency that would have that as a single mission.

"The better answer to consumer protection is to amend the charters of the existing prudential regulators, giving consumer protection parity with safety and soundness regulation," Steve Bartlett, the president of the lobby for big finance, said in a statement shortly after Obama's speech.



AP - President Barack Obama gestures while speaking at Federal Hall on Wall Street in New York, Monday, Sept. ...

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The president has proposed financial revisions including:

- Establishing a Consumer Financial Protection Agency to regulate credit cards, home loans and other types of consumer credit finance. The Federal Reserve and other bank regulators do this now.
- Closing loopholes to prevent companies from shopping for their preferred regulatory agencies or, for

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hedge funds and trades in complex derivatives, from operating outside the regulated system.

— Holding financial firms to stronger capital and cash requirements. As companies grow larger, they'd be required to hold bigger capital set-asides to offset the greater risks they pose to the system.

— Giving regulators "resolution authority" to allow them to dissolve giant, globally connected financial institutions and avoid institutions becoming "too big to fail." If taxpayers must bail out a company, he'd compel the financial industry to repay "every cent."

— Working with other nations to establish global consumer and regulatory protections.

Obama called on Congress to pass the regulatory revamp this year, but that appears unlikely. Some lawmakers who are needed to spearhead financial revisions are preoccupied by the drive to overhaul the nation's health care system. Others are resisting what they think is a pattern of too much government control of the private sector. Still others agree that better regulation of Wall Street is needed but not with the president's road map on how to get there.

The House of Representatives is likely to approve Obama's financial approach with little major change. However, the Senate is balking at his proposals for a new consumer protection agency and for giving the Federal Reserve greater powers. The Senate also may merge more than two banking regulators. So the Senate may stretch out the timetable for legislation.

A delay may not be such a bad thing, said James K. Galbraith, a prominent liberal economist at the University of Texas at Austin.

"Getting effective action may have to wait until after this first few quarters of relatively high growth is behind us and people realize that we're not actually in an economy that's moving in a credible way back toward high employment. People will say, 'OK, there's an unfinished agenda,'" Galbraith said.

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