

Senate panel questions 2 Obama financial nominees

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▣ Abstract (summary)

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Senators questioned two of President Obama's nominees for key financial regulatory positions, and Democrats and Republicans appeared to like both of them. But only one of those candidates is expected to be confirmed.

Mary Jo White, a former prosecutor, was on track to be confirmed as chairwoman of the Securities and Exchange Commission after Tuesday's hearing by the Senate Banking committee.

However, the path for Richard Cordray, the director of the Consumer Financial Protection Bureau who has been renominated by Obama, was still blocked by Republicans who want changes to the agency.

Cordray's recess appointment expires at the end of the year.

Having questioned Cordray in the past, senators focused on White. She promised that tougher enforcement of securities laws would be a high priority.

The agency's policing of Wall Street "must be fair, but it also must be bold and unrelenting," said White, who gained prominence as U.S. attorney for the Southern District of New York from 1993 to 2002. She prosecuted accused white-collar criminals, insider traders and terrorists, including those involved in the 1993 World Trade Center attack.

White then moved to a top New York law firm, Debevoise & Plimpton, where her clients included JPMorgan Chase & Co., former Goldman Sachs Group Inc. director Rajat Gupta and former Bank of America Corp. Chief Executive Ken Lewis.

That work has led to conflict-of-interest concerns. But White said she would be tough at the SEC.

"That does not change me as a person," she said of her work in private practice. "If I'm confirmed, the American public

will be my client."

White said she detailed potential conflicts to government officials and was told they were not out of the ordinary. Still, she promised to be "very vigilant" in managing any conflicts.

Sen. Robert Menendez (D-N.J.) asked White about recent comments by Atty. Gen. Eric H. Holder that some banks were so big that prosecuting them could endanger the economy.

"At the SEC, there's no institution too big to charge," White said, noting that the agency can pursue only civil cases. White said she would "proceed quite vigorously against anyone."

But White said the agency takes into account the effect of the size of corporate fines on shareholders.

Neither White nor Cordray received many tough questions.

But Republicans have big problems with the consumer bureau, which they said is too powerful and not accountable enough to Congress.

Nearly all Senate Republicans have blocked confirmation of a director until Obama agrees to changes in the bureau's structure, including replacing the director with a bipartisan commission. Obama and Democrats oppose those changes.

Obama bypassed a filibuster and installed Cordray last year. But the appointment could be in trouble after a January court ruling that Obama's appointments of three members of the National Labor Relations Board -- on the same day as Cordray -- were invalid.

The court ruled that the Senate was not in recess at the time. Obama argued that the Senate was holding pro-forma sessions simply to prevent him from making recess appointments. Cordray has been caught in the middle.

The extent of the partisan standoff over the agency was evident Tuesday when a top House lawmaker questioned the validity of its funding. The Federal Reserve provides the money to run the bureau.

House Financial Services Committee Chairman Jeb Hensarling (R-Texas) said the law authorizes the Fed to transfer the money "only at the request" of the bureau's director.

He wrote to Federal Reserve Chairman Ben S. Bernanke asking for clarification about the funding, "because it appears there is not presently a validly appointed director of the CFPB." The Fed had no comment.

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