

The New York Times

DealB%k

Edited by Andrew Ross Sorkin

JANUARY 3, 2012, 7:55 PM

For Wall Street Overseer, Progress Comes at a Crawl

By **WILLIAM ALDEN**

Leading a new federal agency intended to help prevent another financial crisis may seem like a dream job for most economic gurus, but the government made a nomination only last month after a painfully slow search process.

Michael Falco for The New York Times
After a 17-month search, the government nominated Richard Berner to lead the Office of Financial Research.

The [Treasury Department](#) first considered at least three other candidates during the 17-month hunt for a director of the new agency, the Office of Financial Research. But they all rebuffed the role, in part over fears of the contentious Congressional approval process. The White House finally unveiled the in-house nominee — Richard Berner, a counselor to the Treasury secretary who was formerly the chief United States economist for [Morgan Stanley](#) — in a little-noticed news release late on a Friday in December.

“I was a little frustrated” by the process, said Lewis S. Alexander, a former counselor to the Treasury secretary, who helped lead the search. “This is a harder job to fill than I would have thought.”

Establishing the Office of Financial Research has become another example of the struggle to put the Dodd-Frank regulatory overhaul into effect.

The agency, which is tasked with collecting and analyzing reams of bank data on behalf of the Financial Stability Oversight Council, has been slow to fill its ranks and has missed deadlines. It was not until December, more than a year after the agency’s creation, that employees left their temporary offices — a cubicle farm without private offices for top researchers — and moved to a larger space.

Although Mr. Berner has been tapped for the top post, it could take months for the Senate to approve him — if it does at all. Senate Republicans are pushing to abolish the agency altogether, a crusade that mirrors their effort to dismantle the more prominent [Consumer Financial Protection Bureau](#).

The agency is even getting heat from some of its supporters. Democratic lawmakers, who pushed in 2010 to create the organization, have grown impatient with the lack of progress.

“Time’s a-wasting,” said Senator [Jack Reed](#), a Rhode Island Democrat who championed the agency. “If this organization had been fully functional six months ago, I honestly think we would have had better insights” into American financial firms’ exposure to European sovereign debt.

Neal S. Wolin, the deputy secretary of the Treasury, who meets regularly with the agency's staff, said that the researchers were busy preparing for their complicated mission. The Dodd-Frank Act gives the agency two years before its first report to Congress is due.

"We are committed to building this office the right way and are focused on substance over speed," Mr. Wolin said in an e-mailed statement. "We have already made a good deal of progress on a lot of the foundational work."

Mr. Berner declined to comment.

The Office of Financial Research traces its origins to a conference in Washington in early 2009. With the economy grappling with a credit crisis, a group of academics and regulators concluded that the government lacked the knowledge to assess potential pressure points in the financial system.

The agency was created 18 months later, with the power to gather data from banks, including information about their trading partners, positions and transactions. The project has been likened to predicting the weather, a task possible only with a vast amount of data and the capacity for high-tech analysis.

The agency's mission doesn't sit well with some Wall Street lobbyists and their Republican allies in Congress, who raise concerns about data security. Representatives from firms like Morgan Stanley and [Bank of New York Mellon](#) have met with Treasury Department officials to discuss the agency, which will be financed with fees levied on banks. Republicans on the House Financial Services Committee recently proposed that the organization be abolished in a letter sent to the [Joint Select Committee on Deficit Reduction](#), a new body that was charged with finding ways to address the budget imbalance.

"The Office of Financial Research is just as powerful and intrusive" as the Consumer Financial Protection Bureau, Representative Randy Neugebauer, the Texas Republican who heads a subcommittee on oversight and investigations, said in a statement in July.

The threat of Republican opposition made it difficult to find a director, who is subject to confirmation by the Senate for a six-year term. Andrew W. Lo, a finance professor at the [M.I.T. Sloan School of Management](#), met with Treasury officials about the post, calling it a "golden opportunity." But he said he felt he didn't have enough government experience and feared he would not get Senate approval.

[Robert J. Shiller](#), the Yale economist who co-developed the widely used Standard & Poor's/Case-Shiller Home Price Index, spent half a day at the Treasury Department in January 2011. Officials were attracted by his experience analyzing large amounts of data. John D. Geanakoplos, a Yale economist who is a founding partner of a hedge fund, was also on the shortlist, according to people briefed on the matter. But again, the candidates balked.

"It didn't seem like I could do it," said Mr. Shiller, adding that he thought the Senate

would view him as “too radical.”

As the search dragged on, the agency began to fall behind on its deadlines. In July, Mr. Wolin, the deputy Treasury secretary, predicted in testimony before the Senate Banking Committee that the agency would have about 60 full-time employees by the end of September. In December, when Mr. Berner’s nomination was announced, the staff numbered 41.

In November 2010, the agency said in a report that it would aim to develop so-called legal entity identifiers — unique IDs to help regulators keep track of financial firms — by July. The date passed, and that system, though it has gotten international regulatory support, has not been completed.

“Bickering’ is just too weak a word to describe the dysfunction that’s been going on,” said Mr. Lo, the M.I.T. professor and onetime director candidate. “It’s created a chill on any kind of innovation in government.”