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Wall Street exec to lead SEC fraud branch

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The Obama administration on Friday tapped a Wall Street executive to lead the Securities and Exchange Commission's charge against investor fraud in the wake of the Bernie Madoff scandal as it pushed anew for a regulatory overhaul to protect Americans from financial sector shenanigans.

The SEC announced Adam Storch, vice president of Goldman Sachs' Business Intelligence Group, is assuming the new position of managing executive of the its enforcement division, created earlier this year.

The move is part of the administration's revamping of the SEC - the government's primary watchdog of the markets - after it received widespread criticism for failing to deter fraud cases, particularly the \$50 billion Ponzi scheme that devastated thousands of investors and got Madoff a 150-year prison sentence.

Mr. Storch is charged with helping the restructured division detect earlier and more often the patterns, links, trends and motives connected to fraud and wrongdoing.

"He will help to make us more efficient and nimble and permit us to put more of our investigators on the front lines to detect and stop fraud," said division Director Robert Khuzami.

But not all in Washington were pleased with the administration's decision to dip into Wall Street ranks for a new SEC enforcer.

"SEC names Goldman Sachs exec to enforcement post - you can't make it up," quipped Sen. John McCain, Arizona Republican, on Twitter, the popular social-networking Web site.

The announcement came as the president's chief economic adviser, Lawrence H. Summers, visited New York and said Wall Street has a "duty" to accept regulatory reform.

"There is no financial institution that exists today that is not the direct or indirect beneficiary of trillions of dollars of taxpayer support for the financial system," said Mr. Summers while speaking at the Buttonwood Gathering, a two-day event sponsored by the Economist magazine.

Central among the administration's goals is the creation of a Consumer Financial Protection Agency, which the White House says would offer the public greater protections for such financial products as mortgages, credit cards and loans by establishing simpler and more transparent rules.

The financial services sector, which strongly opposes much of the administration's proposed regulatory changes, mostly refrained from criticizing Mr. Summers' message.

But, behind the scenes, the financial sector has pushed back hard against the administration's planned reforms, arguing that tighter controls and more regulations would stifle investments and innovation in the financial world and possibly slow down the flow of capital - a scenario that prolonged the recent economic crisis.

National banks, credit card companies and other financial institutions have expressed particular disdain for the proposed consumer protection agency, saying it would add a harmful bureaucratic layer that would take a "one size fits all" approach to regulation.

"They want to put all these consumer responsibilities in this one regulator, and that ends up corrupting both the consumer protection effort and the [government's] safety and soundness responsibility," said Wayne A. Abernathy, the American Bankers Association's executive vice president for financial institutions policy and regulatory affairs.

"By pulling that out and creating a brand new regulator, you're actually creating opportunities for problems."

The U.S. Chamber of Commerce is spending more than a million dollars to oppose the agency and the "unprecedented powers" it would usher in.

The chamber and more than a dozen other trade and business groups sent a joint letter this week to House Financial Services Committee Chairman Barney Frank, Massachusetts Democrat, opposing the agency, saying it would have "significant and harmful unintended consequences for consumers, businesses and the overall economy."

Mr. Frank's committee in the coming weeks is expected to vote on whether or not to create the agency.

"Clearly, all parties have a role to play, but reform and modernization has to be accomplished with the realization firmly in mind that an effective, innovative and competitive financial sector is essential to economic recovery, growth, and job creation," said Erica Hurtt, a spokeswoman with the Financial Services Forum, a trade group that represents the country's largest banks and insurers.

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