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Obama Signs Overhaul of Financial System

By HELENE COOPER

WASHINGTON — President Obama signed a sweeping expansion of federal financial regulation on Wednesday, signaling perhaps the Democrats' last major legislative victory before the midterm elections in November, which could recast the Congressional landscape.

Within minutes of the bill signing, several Wall Street groups were leveling criticism at the new regulations, reflecting Mr. Obama's increasingly fractious relations with corporate America.

The Business Roundtable complained in a statement that the law "takes our country in the wrong direction" and may discourage investment and job growth, echoing concerns made by the United States Chamber of Commerce and other business organizations.

In a signal that Wall Street is ready to keep lobbying as regulators work out the details of how to apply the new law, Larry Burton, the roundtable's executive director, said: "We will work with President Obama and policy makers to ensure this legislation is implemented in a manner that continues to promote sustainable economic growth and job creation."

Still, Democrats and White House officials were euphoric about passage of the legislation, a response to the 2008 financial crisis that tipped the nation into the worst recession since the Great Depression.

The law subjects more financial companies to federal oversight and regulates many derivatives contracts while creating a consumer protection regulator and a panel to detect risks to the financial system.

A number of the details have been left for regulators to work out, inevitably setting off complicated tangles down the road that could last for years.

But "because of this law, the American people will never again be asked to foot the bill for Wall Street's mistakes," Mr. Obama said before signing the legislation. "There will be no more taxpayer-funded bailouts. Period."

He was surrounded by a group of mostly Democratic lawmakers and advocates of the overhaul legislation, including the House speaker, Nancy Pelosi of California, and the Senate majority leader, Harry Reid of Nevada, as well as Senator Christopher J. Dodd of Connecticut and Representative Barney Frank of Massachusetts, chairmen of crucial committees involved in developing the legislation.

The White House orchestrated a major signing ceremony at the Ronald Reagan Building across from the Commerce Department to trumpet the new law.

Mr. Obama took pains to try to show how the complex legislation, with its dense pages on derivatives practices, will protect ordinary Americans.

"If you've ever applied for a credit card, a student loan or a mortgage, you know the feeling of signing your name to pages of barely understandable fine print," Mr. Obama said. "But what often happens as a result is that many Americans are caught by hidden fees and penalties, or saddled with loans they can't afford."

He said the law would crack down on abusive practices in the mortgage industry, simplifying contracts and ending hidden fees and penalties, "so folks know what they're signing."

The law expands federal banking and securities regulation from its focus on banks and public markets, subjecting a wider range of financial companies to government oversight.

It also imposes regulation for the first time on opaque markets like the enormous trade in credit derivatives.

It creates a council of federal regulators, led by the Treasury secretary, to coordinate the detection of risks to the financial system, and it provides new powers to constrain and even dismantle troubled companies.

And it creates a powerful regulator, to be appointed by the president and housed in the Federal Reserve, to protect consumers of financial products.

The first visible result may come in about two years, the deadline for the consumer regulator to create a simplified disclosure form for mortgage loans.

Mr. Obama acknowledged three Republican senators — Susan Collins and Olympia J. Snowe of Maine and Scott P. Brown of Massachusetts — who broke with their party to approve the bill, saying that they "put partisanship aside, judged the bill on the merits and voted for reform."

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