

“Global Trading and Global Markets:
What’s Down the Road?”

Featuring
Mary L. Schapiro
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Mary Shapiro, recent Chairman of the Securities and Exchange Commission (SEC), took audience members through a review of the *great recession* and its rule-making aftermath, in conversation with Dr. Frank Denton, Editor of the Florida Times-Union.

Ms. Shapiro’s tenure at the SEC, 2009-12, was a time fraught with challenges. Bernie Madoff had just perpetrated a 16 billion dollar scam of unsuspecting investors. Major financial institutions such as Lehman Brothers, Bear Stearns, Merrill Lynch, Bank of America and others were in big trouble. Private investors were clamoring for protection. And a fractious debate on regulatory reform had broken out in Congress.

These challenges occurred at a time when the SEC’s own reputation and very continuation were in question. Ms. Shapiro was proud of the internal reforms she brought to the SEC.

- New talented staffers were hired. Healthy *doubtful/skeptical* traits were infused into the regulatory ethos and mission. Technology was updated. And bureaucratic stovepipes which had impeded the flow of information were relaxed.

In reaction to exotic investment instruments, such as credit default swaps and collateralized debt obligations, which few people could understand, Ms. Shapiro insisted on greater *transparency*. She moved the SEC back toward its core missions of *investor protection, market integrity, and capital formation*. Some complained that the SEC did not do enough to punish the culprits who had precipitated the financial crisis, such as jailing them, yet Ms. Schapiro explained that the SEC is a civil, not criminal authority.

- The SEC can impose large fines and penalties on wrongdoers, as well as take away corporate licenses,

The hallmark of the regulatory response coming out of Congress during this time was the Dodd-Frank Act. Ms. Schapiro characterized Dodd-Frank as doing more good than not.

- Some of the new and tightened provisions of Dodd-Frank include requiring savings institutions to hold more and higher quality capital in reserve, and to regulate hedge funds and private equity firms, as well as derivative contracts.

An important theme that recurred during the evening's discussions was the balance between keeping domestic markets safe and allowing our companies to be globally competitive.

- Mentioning US law such as the Foreign Corrupt Practices Act, Ms. Schapiro implied that market integrity would serve our interests over the long term.
- She also pointed out that many of our country's partners, such as the Europeans, are on board with the thrust of US regulatory policy, but that it will take quite a bit of time to hammer out concrete rules across dissimilar legal systems.

Ms. Schapiro pointed out that private-sector bodies had a role to play in the pursuit of transparency and accountability. She specifically mentioned corporate Boards.

- She said that Boards which do not appoint truly competent members are subject to shame and shareholder backlash.
- She also made some interesting observations about the beneficial effects of diversity on corporate Boards, referencing research that suggested Boards with more than 1-2 women perform better.

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