

# Wake Law Sec Reg Presentation

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# Securities & Exchange Commission

- Established in 1934
- Independent agency
- Five Commissioners
  - One Chairperson
  - No more than 3 Commissioners from one party
- “Commission” v. “Staff”
- Funded by Congress v. self-funded (FDIC, OCC)
  - 2005-2009: Collected \$7.4 billion; \$4.5 billion budget
- Enforcement, judicial, and legislative functions

# SEC Tripartite Mission

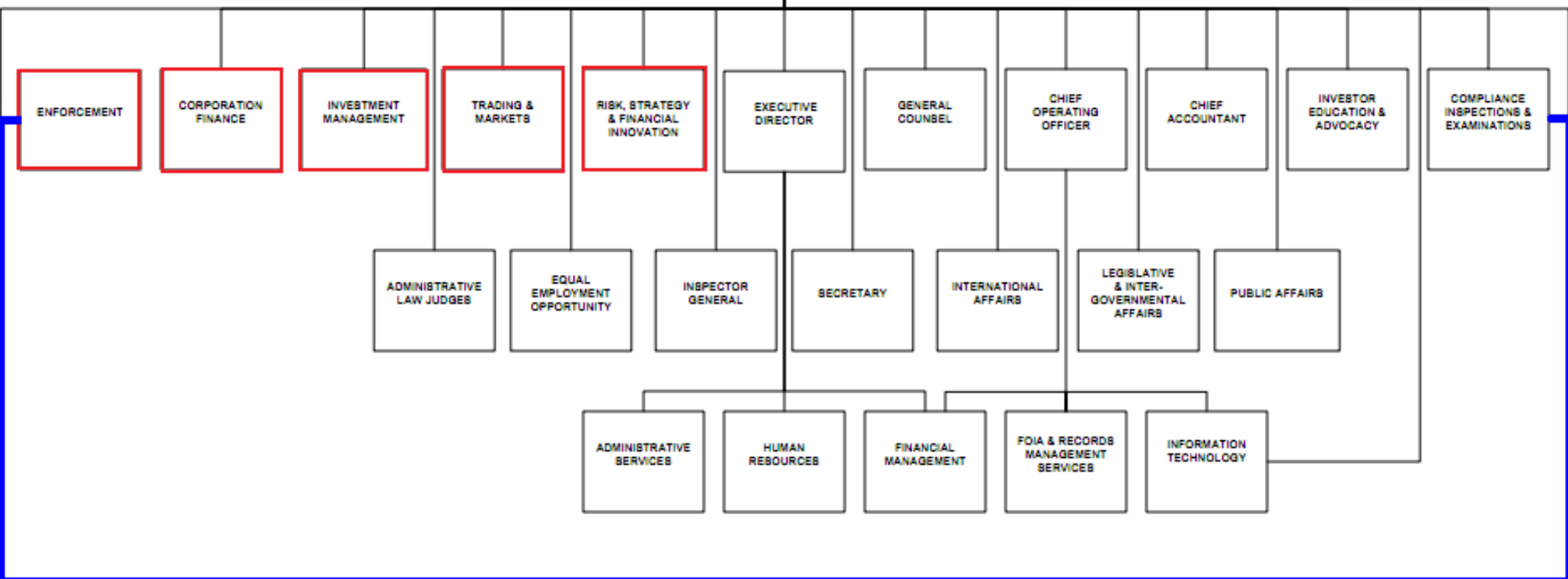
- **Protect investors**
  - Which “investors”? Retail? Institutional?
- **Maintain fair, orderly, and efficient markets**
  - Self-Regulating Organizations (SROs) – e.g., FINRA
- **Facilitate capital formation**
  - Regulatory concern: moving markets off-shore
- Where missions are conflicting, how should they be prioritized?

# SEC Organization

- **Five Divisions**
  - Corporation Finance\*
  - Trading & Markets\*
  - Investment Management\*
  - Enforcement
  - Risk, Strategy, & Financial Innovation
- **Eleven Regional Offices**
- **Fourteen Topical offices**
  - Compliance Inspections & Examinations
  - International Affairs (FCPA)
  - Inspector General

\* Rulemaking function

# SECURITIES AND EXCHANGE COMMISSION



# Division of Enforcement

- **Hierarchy**
  - Director (Robert Khuzami)
  - Deputy Director
  - Associate Directors
  - Assistant Directors
  - Regional Directors
- **New: functional units (January 2010)**
  - Asset Management
  - Market Abuse
  - Structured & New Products
  - Foreign Corrupt Practices
  - Municipal Securities & Public Pensions

# Life of an Investigation

- **Tip, complaint, referral**
- **Matter Under Inquiry (MUI)**
- **Formal Order of Investigation**
  - Subpoena evidence, take testimony
  - Delegated authority
- **Wells Process (1972)**
  - Wells Notice
  - Wells Submission
- **Settlement discussions (?)**
- **Recommendation – Action Memo**

\* See the [Enforcement Manual](#)

# Enforcement Tools

- Disgorgement of ill-gotten gains (waiver)
- Civil penalties/administrative penalties
- Injunction/Cease & Desist Order
- Officer & Director Bar
- Collateral Bars (new)
- Rule 102(e) Suspensions

# Internship Info

- Generally unpaid
  - Exception: 2L Summer Honors Program
- Phone interview for DC Office
  - Rank Division Preferences
  - Generally offered on the spot
- Spring 2011
  - 95 interns
  - 55 in Enforcement
- Once you're in, easier to stay
  - Advanced Commitment Program
- Weekly Intern Meetings

# Boston Consulting Group Report

- Mandated by Congress – Dodd Frank § 967
  - Examine internal operations, need for reform
  - Study ran from October 2010 to March 2011
- Key Recommendations
  - Reprioritize regulatory activities
    - Scale back activities, delegate to SROs
  - Reshape organization structure
  - Invest in enabling infrastructure
  - Enhance SRO engagement model (oversight, coordination)
    - FINRA concern; SRO for investment advisers
- Even with reprioritization, agency may not meet its mandate
  - Choice 1: “relax funding constraints”
  - Choice 2: Scale back agency’s role