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Obama Picks Two U.S. Senate Aides as Next SEC Commissioners

By: Dave Michaels – May 23, 2013

Kara M. Stein and Michael S. Piwowar, both senior U.S. Senate aides, were nominated today by President Barack Obama to join the Securities and Exchange Commission. Stein would replace Elisse B. Walter as a Democratic commissioner and Piwowar would succeed Troy A. Paredes as a Republican appointee on the five-member commission that oversees the country's capital markets, according to a news release issued by the White House. Stein has served as a top aide to Senator Jack Reed, a Rhode Island Democrat, and Piwowar has been chief Republican economist on the Senate Banking Committee. Stein and Piwowar, whose nominations must be confirmed by the Senate, would join a commission adjusting to new priorities under Chairman Mary Jo White, who was sworn in last month. The agency is under pressure to finish rules mandated by the 2010 Dodd-Frank law, which both Stein and Piwowar worked on as Senate staff members.

Stein was a top aide to Reed last year when he was chairman of a Senate securities and insurance subcommittee. If Piwowar is confirmed, he would be the only economist on a five-member commission that historically has been made up of lawyers.

Both nominees were hailed by Senator Tim Johnson, chairman of the banking committee, and Senator Mike Crapo, the top Republican on the panel. Johnson said he would move the nominations through his committee, which will hold a hearing on them.

Experience Praised

In a statement, Johnson said Stein worked for Reed on the committee for more than a decade. Crapo said Piwowar has "thoroughly demonstrated his understanding of these complex issues" during his time as a Senate aide and, previously, a White House economic adviser.

"Both of their experiences will serve them well as they work to fulfill the SEC's mission of protecting investors and ensuring a fair marketplace," said Johnson, a South Dakota Democrat.

Walter, whose term has expired, can serve until the end of the year. Paredes' term expires in June, and the former law professor has told people he is eager to return to academia.

Piwowar, who also previously worked as a staff economist at the SEC, holds a Ph.D in finance from Pennsylvania State University. He would join the commission as it seeks to improve its use of economic analysis in rulemaking.

Stein has law degree from Yale University, according to the State Bar of Texas.
Economic Analysis

The U.S. Court of Appeals for the District of Columbia Circuit cited inadequate economic analysis when it invalidated an SEC rule in July 2011 that sought to make it easier for shareholders to oust board members.

Barbara Roper, director of investor protection for the Consumer Federation of America, said Stein and Piwowar appear to be “a very good pairing for investors.” Roper, who has worked with Stein over the years, said Stein guided Reed’s examination of high-frequency traders and other market-regulation questions.

“Given the importance of those issues, that is something she’ll bring,” Roper said. “She is just really solid and an outstanding selection. It’s very encouraging.”

Stein and Piwowar should have no trouble getting Senate confirmation due to their experience as staff members, said Mark A. Calabria, a former Republican banking committee aide who worked with both of them.

The pair also could bridge some divides at the commission, which sometimes has voted along party lines, Calabria said.

“You are going to have a Republican and a Democrat on the commission who know each other and have a working relationship,” said Calabria, now director of financial regulation studies at the Cato Institute.