

## SEC nominees could produce new atmosphere for SRO debate

*Stein set to replace chief SRO proponent, Elisse Walter*

By: Mark Schoeff Jr. – July 16, 2013

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The Senate today avoided a meltdown over executive branch nominees by agreeing to votes on several controversial Obama administration appointments without changing chamber rules for filibusters.

Although it sounds like an arcane matter outside of the nation's capital, the move averted a potential procedural disaster. Now the Senate can continue to conduct business as usual – or as much as possible for that body.

The nominees for two Securities and Exchange Commission positions – Democrat Kara Stein and Republican Michael Piwowar – should have smooth sailing to their confirmations. Currently Senate aides, they faced no opposition in a Senate Banking Committee hearing last month.

A committee vote on them – and several other nominees -- was postponed from today until Thursday. Ms. Stein and Mr. Piwowar are likely to be okayed unanimously by the panel. The full Senate will probably vote soon.

“They're going to get approved by the Senate with overwhelming bipartisan support,” said Neil Simon, vice president for government relations at the Investment Adviser Association. “It's just a question of how and when.”

Similar strong backing on Thursday in the committee and later on the Senate floor also is likely for SEC Chairman Mary Jo White, who is up for a term expiring in June 2019. Her confirmation earlier this year was only for a term lasting through June 2014, the end of her predecessor Mary Schapiro's five-year appointment.

Likely within a matter of weeks, a new SEC will be in place. That could mean a change in atmosphere for an issue important to investment advisers.

Ms. Stein will replace SEC Commissioner Elisse Walter, who has been the leading proponent for establishing a self-regulatory organization to oversee investment advisers.

In forthright speeches and congressional testimony, she minced no words in asserting that the SEC lacks the resources to sufficiently oversee advisers and arguing that an SRO would be the best way to augment the shortfall. Advisers recoil at the thought of SRO oversight, especially if it's the broker regulator, the Financial Industry Regulatory Authority Inc.

Perhaps as early as August, Ms. Walter will no longer be on the commission to push the matter.

“It's certainly going to degrade the issue for the moment,” said Mark Calabria, director of Financial Services Regulation at the Cato Institute, a Washington think tank. “The biggest champion on the commission is leaving.”

It's not clear where Ms. Stein and Mr. Piwowar, who replaces SEC member Troy Paredes, stand on adviser oversight. But it's safe to say that their arrival adds more uncertainty to the SRO debate.

Ms. White has been pushing Congress for a substantial increase in SEC funding so that the agency can hire 250 more adviser examiners. But she maintains that she is agnostic about an SRO.

In Congress, there's no momentum toward authorizing an SRO or giving the SEC more funding to oversee advisers.

“Since there is no urgency, you're going to see the status quo for a while,” Mr. Calabria said.

But at the SEC, it could be a whole new ballgame.