FINANCIAL ADVISOR

SEC Chair Leaving With Key Goals Unmet

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Securities and Exchange Commission Chair Mary Jo White announced Monday she will leave the agency January 20 when President Obama's term ends.

Her announcement came shortly after the end of the SEC's first fintech forum and the evening before she was scheduled to appear before the House Financial Services Committee to defend her request to the White House for a 39 percent budget hike for Fiscal 2018 and a new headquarters.

It is a budget and a building she will not see through to fruition.

Those two voids are emblematic of the key goals, including some for financial advisors, the noted New York Yankees fan was not able to achieve.

Despite routinely going hat-in-hand to Congress for more examiner money and shifting some broker-dealer exam staff to advisor duty, White was never able to crack the 10 percent annual exam rate for SEC registered investment advisors.

Additionally, her goal to lead to harmonization of customer-care obligations for advisors and brokers was never met.

She gave an oblique indication of her anticipated failure months ago when she predicted the potential fiduciary imposition on brokers would come before the Commission in April -- when many SEC observers were sure she would be gone.

And now she has said she will.

The departure of White could leave the five-member Commission down to one Republican, Michael Piwowar, and one Democrat, Kara Stein, who are often at odds. A majority of those voting needed to approve new rules and other regulatory actions.

“It creates the risk that the agency could be paralyzed in the face of market disruptions,” said SEC Investor Advisory Committee Member Barbara Roper, who is also the director of investor protection for the Consumer Federation of America.

One of the vacancies was created by the departure of Commissioner Daniel Gallagher, who might come back to fill White’s spot, said a veteran SEC observer with Republican connections.

He speculated another ex-SEC Republican Commissioner, Paul Atkins, could also be chosen by President-elect Donald Trump to succeed White. Atkins is on Trump’s transition team.

A third possibility, said the observer, is Yale Law School Professor Jonathan Macey.

Macey, an adjunct scholar at the Cato Institute, a Republican think tank, wrote a book two years after the financial crisis in which he advocated less government intervention is needed to ensure managers of public companies keep their word to investors.

In “Corporate Governance: Promises Kept, Promises Broken,” he also argued whistleblowers are highly susceptible of being co-opted by management and generally guided more by greed than by investor interests.

He has testified against the SEC in cases and is considered very pro management, anti-regulation.