

ROUNDTABLE OF FORMER SEC CHAIRS

JUNE 3, 2019

In Commemoration of the SEC's 85th Anniversary

June 3, 2019 – National Building Museum

Moderator: SEC Chairman Jay Clayton

Participants: Richard Breeden, Chris Cox, Bill Donaldson, Arthur Levitt, Harvey Pitt, David Ruder, Mary Schapiro, Elisse Walter, Mary Jo White

Introduction

Tom Gorman: Good afternoon everyone, my name is Tom Gorman. I'm the Chairman of the Board of Trustees of the Society. In my spare time, I'm also a partner at Dorsey and Whitney. We'd like to welcome everybody to this presentation. This is really the opening round of our celebration of two huge events. The first is the 85th anniversary of the founding of the Securities and Exchange Commission, the second is the 20th anniversary of the founding of the Society. To kick this off, we're going to do a roundtable discussion of past and current chairs of the Securities and Exchange Commission.

Tom Gorman: We're very grateful to the sponsors of this event, without whom we couldn't have done this. Davis, Polk and Wardwell, along with Kalorama Partners, is co-sponsoring this. We really do appreciate the fact that they have put up sponsorship for this program, and we're going to hear from a representative of each one of them. One who will speak before the roundtable, and one who will speak after.

Tom Gorman: So, with that, let me start with the representative from Davis, Polk and Wardwell, Annette Nazareth. She was a commissioner, as everybody knows, and also the Director of the Division of Trading and Markets at the Commission. Annette, if you would, please.

Annette N: Sure. Thank you.

Tom Gorman: Thank you.

Annette N: Thank you, and unlike Tom, I did not memorize my remarks, so I have my card. Thank you all for coming today, and I think you probably share with me the absolute delight in seeing not only all of these former and current SEC Chairs, but to see how wonderful they look, and how what a healthy bunch you seem to be, which is just fantastic. It really is an honor to be here today to introduce

the SEC Historical Society's Round Table of Former SEC Chairs, and today's program will be moderated by our current Chair, Jay Clayton.

Annette N: Earlier today, I don't know if you know this, but Chairman Clayton, along with the commissioners and the staff, commemorated the 85th anniversary of the founding of the Securities and Exchange Commission at a program at the SEC's headquarters, and in a very special recognition of this historic event, an original copy of the Securities Exchange Act of 1934, which was on loan from the National Archives, was on view for all to see.

Annette N: Of course, coming from Trading and Markets in particular, I can think of no document that embodies the core of the SEC's history and mission more than that document. It's the equivalent to all of us, of the Magna Carta, or the Constitution. Together, with the Securities Act of 1933, it established the SEC's mission of investor protection, fair and orderly markets and capital formation. So, in the intervening 85 years, the US economy has certainly experienced significant swings. Likewise, the markets have evolved to keep pace with economic forces, technological innovation, the emergence of global markets, and changes in investor practices.

Annette N: But throughout this evolution, the SEC's mission has remained immutable. The SEC has a very proud history as you know, among federal agencies. It has played a central role in the success of the United States capital market, and it has served to further economic growth and job creation. It also has a very knowledgeable and remarkably dedicated staff that has distinguished itself as one of the finest in the federal government.

Annette N: So, today we're going to hear from a remarkable group of former SEC chairs who served their country with distinction and were true to the SEC's mission. Each of these chairs came to the commission with his or her own objectives, they each thought they had a plan, and yet they all share in common the reality that they had to address unexpected challenges that emerged in the markets and for investors. Among other things, I look forward to hearing today, how they confronted those challenges and the achievements that they believe marked their individual tenures in office. Thank you.

Tom Gorman: Thank you Annette, we appreciate that, and again, on behalf of the Society, we really appreciate the sponsorship by your law firm, Davis Polk. Now, without further adieu, we'd like to start the roundtable discussion. I'd like to call on Chairman Jay Clayton to lead the discussion of the former chairs of the Securities and Exchange Commission.

Tom Gorman: As most of you know, Mr Clayton was sworn in just a little over two years ago, as the Chairman of the SEC, after an outstanding career at Sullivan and Cromwell on Wall Street, and since taking the reins at the SEC, he has really focused on the idea of the Main Street investor, the lifeblood of the securities markets, the everyday investor, and tried to step up and protect them, while evolving the regulations to meet ongoing needs and changes in technology and

increasing access to our capital markets. So, without further adieu, Mr Clayton, if you would take over?

Program

Jay Clayton: Thank you very much. Thanks. It's great to be here. Can you hear me okay? Let me give you a little preview, we're going to talk about a few things, dealing with unexpected challenges, the evolution of our markets and market participants, and then stewardship of the SEC.

Jay Clayton: What I want to do is, by way of introduction is, it's clear to me, after two years at the SEC that our human capital is our greatest asset, and I can tell you that you have great human capital here on the stage today. I'll touch on this at the end, but the guidance that each of you have given me, in my time at the commission, has been invaluable, and I appreciate it. But you didn't come to hear from me, you came to hear from them. So let me start with dealing with unexpected challenges. Let's try and make this as much of a conversation as possible, and I'll actually start with you, Harvey. Could you talk a little bit about 9/11, or maybe David? I mean, I guess, David had something to do with 9/11 and you did, too. But talk a little bit about dealing with 9/11 as Chairman of the SEC.

Harvey Pitt: Well, first, I'd like to say, it's a pleasure to be here, and despite the rumor that the organization of the participants is based on last name, there does seem to be a slight kind of pushing of the female chairs to the left side, and I want to note my objection to that.

Jay Clayton: Should we trade?

Harvey Pitt: In any event, one of the critical things that I found was crisis management. I had spent years in private practice advising people on crisis management, but I'd never endured one myself, and then on becoming Chairman, I had about one a week. I used to look at the bottom of my shoes every day in the office to see what I'd stepped in, given all of that.

Harvey Pitt: But the commission's staff, in particular, did a remarkable job of helping us get the capital markets back up and running, and one of the things that doesn't get stated a lot, was that much of what we did built upon what Dave Ruder and the commission staff did when Dave was Chairman, and had the market collapse in '87, and all of that effort really made it possible for us to go up to the site of the attacks in New York.

Harvey Pitt: We found the New York and American Exchanges were basically devoid of both electricity and communications, and all of that had to be restored within a short period. It took six days to get the markets back up and open again. We could

have done it in less time, but we all felt that we wanted to be certain, because people would restore their faith in markets that reopened and stayed open. But if the markets reopened and then collapsed again, we were going to lose a lot of confidence. So it was worth taking the extra time. But it was really a multidisciplinary effort, both on the part of the commission staff, by the Fed, by the Treasury Department. Annette's husband was Vice-Chair of the Fed at the time, and he and I were speaking daily and frequently during the day. It was a good mixture of both the private sector and the public sector. It's how the system functions best.

Jay Clayton: David, something to add, from '87?

David Ruder: Well, when I came in as Chairman, eight weeks later, the '87 Market Crash occurred, and suddenly people were saying, "What did you do wrong?" And I said, "I just got here." But the problem was that we were faced with a market that had crashed 23% in one day, and there was a great deal of arbitrage trading taking place between, basically, the New York Stock Exchange, and the Commodities Futures Index Market, and that led me to wonder about what was programmed trading?

David Ruder: It turned out that we were in the beginning of a time in which electronic trading was taking place, and the futures exchanges were way ahead of us, and were engaged in electronic trading, and then when their market went down, people would want to sell in the New York market, in order to capture the arbitrage between the two markets. So there was just a tremendous amount of concern, and many people said that the futures market had been the cause of the crash, and I said no, it was a series of events. But that wasn't it. If anything, the futures market was the messenger.

David Ruder: That event overtook my Chairmanship. I found later on, I had a piece of paper in my desk with the twelve things that I wanted to accomplish, and I found that piece of paper three years later, and it was still unfollowed. I had spent my entire time trying to clean up after the mess there, and my staff was, as Harvey says, just wonderful. Rick Ketchum was the Director of then called, Market Reg, and he was just tremendous, as were many, many others of that staff whose names I would call out if I could remember them all. So, that's what happened to me.

Jay Clayton: And Richard you had the Drexel collapse during your-

Richard Breeden: Yes, well, in contrast to the macro-generated issues of '87 and 2008, we had a series of collapses or market crises, driven by internal factors within firms. Drexel Burnham, Solomon Brothers and on the US end of the collapse, Bering Brothers, due to trading in the Far East. But Drexel was interesting. It was not exactly an unforeseeable crisis. The commission under David had brought an enforcement action and settled an enforcement action against Drexel, and they had seemed to weather the storm.

Richard Breeden: About four months after I became Chairman, I remember this pretty vividly, I had just gotten off a plane from DC in Denver, and one of the things I brought from the White House when I came to the commission was to ask the senior staff to use beepers, because we didn't have cell phones then, and we were reliant on pay telephones, and I thought we could do a little better. My beeper goes off, "Call Rick Ketchum," is the message. I called Rick, and he informs me that Morgan Stanley has stopped taking Drexel as a counterparty, that this has caused everybody else on the street to refuse to trade with Drexel, and that they were going into a liquidity crisis.

Richard Breeden: Drexel had funded their holding company and their system of trying to buy up all the junk bonds that they underwrote, through pretty significant indebtedness in a broker dealer holding company, and the commission had never really dealt with the mix. We had tight regulation of broker dealers, but very light oversight, to the extent it existed at all, at the holding company level, and at Drexel, that's where the problem was.

Richard Breeden: I turned around, got on the next plane back to DC. But when I sat down with Rick, the issue sorted out that they were upstreaming capital out of the regulated broker dealer intended to protect the public investors, dividend that night by night to the holding company, and using that to pay holding company debt that was rolling off, and repos that people would not roll over.

Jay Clayton: And that's a no-no.

Richard Breeden: Well, it was a no-no, to the extent that after four days, 80% of their capital was gone, and so we issued an order to put a cork in the bottle, that nothing more could be upstreamed. They went into bankruptcy a couple days later, after furious internal debates between the commission and the Fed, and the Treasury, over whether they should get a bail out, and the Commission insisting that they should not, and we should let market disciplines work, and that they were outside the safety net, and the Fed being worried about, "Well, will this create instability, or cause instability?"

Richard Breeden: Happily, we were not at a time like 2008, where huge numbers of other firms were in trouble. Ultimately, they were allowed to fail, and the taxpayers didn't pay anything, and for the time being anyway, we had some market discipline.

Jay Clayton: Okay. I'm actually noticing another correlation that alphabetization has caused. There are no crises at that end of the panel.

Richard Breeden: If you need more, then we have others.

Mary Schapiro: Yes, we just breezed right through, right? So, I guess what I'd add is not of the magnitude of a 9/11, or even maybe a Drexel. Crises are kind of a way of life, Jay, as you've probably learned, at the SEC, and for us, market volatility in the form of the Flash Crash, which really threw us off our agenda for a little while,

but also really exposed some of the frailties in our market structure. We also had a couple failing firms, including MF Global, which everyone will remember, and any time a large firm fails, because of the interconnectedness, the possibilities for systemic impacts are real, and you worry about that, a lot.

- Mary Schapiro:
- We had some not very public cyber attacks on firms. Even natural disasters potentially cause a crisis within the SEC, because of the possibility that money market funds are holding paper exposed in those jurisdictions. So, when the Fukushima Nuclear Reactor went up, we actually had to worry about what money market funds were exposed to Japanese lenders to Fukushima, or directly to the municipal paper there. So, another kind of thing to worry about. But I would say that I agree with everybody, it's the staff that gets you through those.
- Mary Schapiro:
- People are so committed and so smart, and so knowledgeable that what seems just overwhelming in the first instance, you sit down and you create a plan and you start to work through it, and you get through it.
- Elisse Walter:
- Mary? I think one thing Mary didn't add, because of her modesty, is that in some ways, the greatest crisis to the agency occurred during your tenure, because it wasn't clear that the agency was going to continue to exist, and so a lot of time was spent by Mary, and quite a bit by the rest of us, as well, to try to weather that storm. I think that it is clear that now that that storm has been weathered, that the agency Jay now heads, is really quite an important part of the financial regulatory system, even though in the 2009, 2010, 2011 range, that was really doubted.
- Jay Clayton:
- You know, that's a great point, Elisse, because it's even hard to think that at some point in the not too distant past, there was an existential risk to the commission.
- Elisse Walter:
- Existential and very real, and there were times when you get up in the morning not really knowing whether you would be going in to try to dismember everything that we care so much about.
- Jay Clayton:
- Right, that's a great point. Others on dealing with crises?
- Mary Schapiro:
- Mary Jo had it so easy.
- Mary Jo White:
- Yes, we had nothing of consequence. But seriously, we didn't have a macro crisis. That takes luck, among other things. But it also takes the work of all these people that certainly preceded me as Chair. For example, we didn't have the Flash Crash, we did get to see how well those measures worked, that you worked so hard on, Mary, with the staff, when we had market volatility in 2015, and the limit up, limit down worked pretty well. We enhanced it after that. When I first arrived, I had the [inaudible 00:19:52] mandates, so the [inaudible

00:19:53] mandates to get done. That seemed like a crisis, each time we did a rule making, but it really wasn't.

Mary Jo White: Another sort of early entry for my attention was FSOC and the, at least consideration of, designating as [inaudible 00:20:09] certain asset managers, which I didn't think made any sense. We did have a number of outages that we had to deal with, interruptions in trading at NASDAQ, the New York Stock Exchange and then when BONY's [Bank of New York Mellon] systems went down, you couldn't get the closing prices on funds for a while. I guess after the NASDAQ glitch, I'll call it, the SCI regulation that was actually proposed during Elisse's tenure as Chair, which is Security Compliance and Integrity, I think.

Jay Clayton: I can never remember it, either.

Mary Jo White: Listen, I got to tell you, I had to look it up. I googled it before I got up here, because I can never remember.

Mary Schapiro: It is the world's worst acronym.

Mary Jo White: It is one of the worst. But it is extraordinarily important rule making. I mean, I think, because it really did, the first and maybe still only sort of mandatory set of cybersecurity regulations for major market participants, and it essentially was focused on enhancing resiliency and also making sure you were informing the other market participants, as well as the SEC of cyber incidents. But I'm just grateful to all of you.

Mary Jo White: 9/11, Harvey, I was actually the US Attorney on 9/11, and so was actually, probably unbeknownst to you, following very closely whether you were going to get those markets open when you did, because of how just critical that was to the world economy and the psyche of New York City. It just was a remarkable job. The other thing that was really important on 9/11 was getting baseball back on, right? So, I had it easy, I had it easy.

Jay Clayton: No, I don't think anybody had it easy. Just to pick up on two themes that were there, one, the staff, and then, on the shoulders of those who came before you. The staff has put together what I'll call a playbook of past events and the powers of the Commission, but in some ways most importantly, the public communications that were made by the Commission, so we can see if we happen to face a crisis, what you were all saying and doing at the time. You can learn a lot from how your predecessors handled these things. Know that what you did is not forgotten, in fact it sits in a book in both paper and electronic form, just in case there's an electronic crisis.

Jay Clayton: Let me switch gears to markets, and rule making and Arthur, I'm going to come to you with this one, to start us out, and that is, what rule, regulation or action do you believe was the most significant contribution to the SEC during your tenure? You had the longest tenure of any of us.

- Arthur Levitt: Probably Reg Full Disclosure. It was a very tough fight, even within the Commission, and then with the Congress, as well. I was really blessed during my years, and I suspect my predecessors were as well, that I had the strong backing of the administration, and they not once sent anyone down for us to hire, nor did they discourage me from hiring Republicans in key positions. I had totally free hand in terms of hiring policies, and that's rather extraordinary.
- Arthur Levitt: I've seen Bill Clinton subsequent to that, and I've often said to him how much I appreciated his support. And among the Commissioners themselves, the notion of who was a Republican and who was a Democrat was a total fiction. We simply didn't operate that way, we didn't think that way.
- Arthur Levitt: John Dingle, whom I spent a lot of time, kept needling by saying to me that Richard Breeden was the best Chairman in history, so I always would come back to him, after we battled about some issue and say, "Now, would Breeden have done that?" He was a wonderful support mechanism for the Commission, and indeed Ed Markey, and a number of others in those days, really gave the Commission a great deal of assistance and help.
- Arthur Levitt: I'm thankful that we weren't fragmented by party considerations. That really was the best part of operating during that era, and our judgements were made based upon what was good policy not what would sit well with the left, or the right. I think that Operation Full Disclosure is probably a consequence of that very affirmative environment that we experienced.
- Jay Clayton: Yes. It was a modernization rule, in many ways. I mean, really. We have the tools to get the information out, we should use it, right? Yes, that was terrific. Harvey?
- Harvey Pitt: I never thought that the issues that the Commission considers were political issues to begin with, Republican or Democrat. It is interesting, I know when I was Chairman, I often heard from the White House after I had done something, usually to say, "Next time, could you give us that idea so we could propose it?" I am fairly positive I appointed more Democrats to senior staff positions than Republicans.
- Harvey Pitt: I think the one factor that changed this was the arrangement made in 1994, when Congress and the administration agreed that thenceforth, nominees for the minority party on every administrative agency, would come from Congressional leaders of that party, and barring some serious objection, that the President or the White House might have, those would be the people who were appointed.
- Harvey Pitt: I think when the President made all five appointments, it tended to produce a very collegial agency, and in my experience, most of the Commissions operated exactly the way Arthur described, certainly going back to the time when Manny Cohen was Chairman, which was when I first started. So, I think that change

gave minority Commissioners a different set of potential loyalties and that had some effect on what Arthur is describing.

Jay Clayton: Others on this very mundane topic?

Richard Breeden: Just weighing in, I think all of us have had significant rule making, and whether history will remember any of these acronyms that we struggle with is dubious. But the institutional function of rule making is really a critical part of the Commission. It is not solely enforcement when people break rules, but trying to come up with, as the global leader of capital markets, trying to come up with a set of rules of the road that will maximize the ability of companies to raise capital efficiently, protect investors, and bring all the benefits that we've seen, uniquely in this country. Rule making is really a critical part of having an expert agency that courts should defer to, that has helped design the system.

Richard Breeden: In our time, we had a couple that were not controversial in the least. One of the things we learned with Drexel, was that when there's a crisis, the way money moved on Wall Street, at that time, was these old guys, no offense to all of us who fit that, now, riding around Wall Street on bicycles with sacks of securities in their backpacks, and you had people who would deliver funds, buyers, upon receipt of the securities and collateral holders who would give up their collateral upon receipt of payment, and the system would freeze.

Richard Breeden: So, we spent a lot of time, our Commission, on going from T5 settlement to T3, and if we had been at T5 when we hit some of the, 2008, some of the later crises, I don't know how the world would have skated through that. But, it was certainly unglamorous, but really critical. Arthur made some similar changes in cutting how prices were quoted. But we focused a lot on trying to make sure that in a crisis, you could unwind the positions and not have a gigantic global lock up.

Richard Breeden: We also tried to show that you could actually cut rules for smaller companies. We revised both the '33 and '34 Act rules for smaller entities, which I think is something that is entirely appropriate when you have this wonderful system. It can't exist only for the biggest companies. I know that's a current concern. Lastly, I would just say, the one that got controversial was -- Mary, certainly, and I went through this at length -- was proxy reform.

Richard Breeden: Where I think we had had a build-up of decades in which the interests of institutional investors in being more active on the corporate governance front had been not reflected in the Commission's rules, and we adjusted it. I don't know that anybody will ever get that perfect, but we, I think, made a lot of progress to create better balance in shareholders and boards.

Jay Clayton: Let me say this, that all of those examples, the fact that you've demonstrated that our framework can be flexible, or can adjust, makes the current job a lot easier and that's manifested itself in our dealing with digital assets. I feel

confident when I tell people that our framework, we can handle cryptocurrencies and ICOs and digital assets, because I've seen what's happened before, and the ability of the Commission to use our framework and react to modernization. I don't know, Bill, if you had something to add on this, or ...?

Bill Donaldson: Well, I have just a few thoughts to add. When I came in this evening, I noticed that the only person on this panel, only former Chairman without a law degree was Arthur Levitt, who I think has gone down in history as one of the great Chairmen of the SEC.

Jay Clayton: I'd also take him as my lawyer.

Bill Donaldson: I'm going to talk a little bit personally about, it was sort of an anomaly that I became Chairman of the SEC, and the way it happened was that I had just come back from a business career, being a CEO of a large insurance company, just coming back to New York, to relax and enjoy my family, when Enron and Worldcom happened. The last thing in the world that I wanted to do, was to go back to Washington. I'd been in the State Department.

Bill Donaldson: But Enron and Worldcom convinced me that there was need for judgment on the Commission, that went beyond three people from one party and two people from another party. So, I responded to what I consider to be a call for duty, and went to Washington, and I had the unique experience of being interviewed by 43, George W. Bush, President of the United States.

Bill Donaldson: And so, I went through this process, I couldn't quite understand why I was there. But I was granted an audience with W, and his first question to me was, "Bill, why the hell would you want this job of Chairman of the SEC?" And I said, Mr President, and then I got all confused, as to what I should say, and I sort of said something like ... I was hesitating. He says, "I know, Bill." He says, "Semper Fi, right?" I'd been in the Marines. Bush knew everything about everybody. That was exactly the right thing to say to me.

Bill Donaldson: Now, in terms of what this group of lawyers in this room are, and I presume most of the people in this room are lawyers, I presume that you understand better than most, how the SEC was organized, with three from the party in power, and all that sort of stuff. But I found the experience that I brought to the SEC was that of a businessman, and that was ... and I won't bore you with a talk, but it intensifies your ability to listen. I always made it a practice when I was Chairman of the SEC, to be the last person to talk. I wanted to listen to what the other Commissioners had to say, and I didn't care what party they were from, I wanted to hear what they had to say.

Bill Donaldson: So, this is a reflection, in front of this group, and I compliment Arthur, because you took that job on the same way I did. You had no legal training, and you did a great job with it. Thanks.

- Arthur Levitt: Thank you, Bill. Thank you.
- Jay Clayton: So, we're talking about, a kind of integrity and how you do your job in the face of headwinds. Actually, why don't I start with Elissee on this, on what you were doing did you get the most skepticism, but then you stuck to your guns?
- Elisse Walter: It was an era of great skepticism. It seemed to me that in my tenure, which, as you know, I spent most of my five years as a Commissioner, everything we did, there was pushback and skepticism. I do think that one refrain that I had during my five years, was with respect to the fixed income markets. I was lucky enough to be asked by Mary to really dig in deeply in the municipal markets. But everybody kept saying, why are you doing this? Why do you want to look at the fixed income markets? The fixed income markets are operating pretty well. Why don't you leave it alone?
- Elisse Walter: It always frightened me that the world had spent so much attention focusing on equities, and the fixed income markets are so important and on top of corporate fixed income, the muni markets are so important to the infrastructure of this country. But people wanted to, you know, it was like, leave well enough alone.
- Elisse Walter: I congratulate you, Jay, on setting up the FIMSA, because I think it's terribly important to have that focus. But I received probably extra skepticism, both because it was clear when I became Chairman that I was a temporary Chairman, so it was, "Who the hell are you to do anything?" No, she didn't say that. But, as I made clear to the White House, I wasn't there just to occupy a chair, and we were going to move forward.
- Elisse Walter: And also, it was an era where people were still skeptical and wondered about how the agencies were constituted, the value add of the staff, and we worked very hard during all of that period to really try to restore the sense of pride that had always been true at the SEC. I think people were skeptical of that, but I was in a unique position to really put that forward because, of everyone here, I spent more time on the staff. So, I would say it was those two areas.
- Jay Clayton: Mary?
- Mary Schapiro: Sure. So, I should say first of all that having a Commissioner like Elissee is just incredibly important. Somebody you can turn to and ask them to do the really hard work and know it will be done thoughtfully, based on facts and evidence and data, and just hugely, hugely important to me, during my time at the Commission.
- Mary Schapiro: So, we faced a lot of skepticism and criticism of everything we did. Part of it was, as Elissee points out, the times. Part of it is that we had this enormous rule making agenda. We were very busy before Dodd-Frank was passed, after Dodd-Frank was passed, we had a hundred rules on our plate to write, in a very short

period of time. I guess by the time I left, we had proposed or adopted 75% of them, but we probably left the hardest ones up to-

Mary Jo White: You probably did.

Mary Schapiro: Which is not to say the ones we did weren't hard, they were. But the criticism -- I want to mention four particular rules where we got a lot of criticism. One, a little bit more in depth. One was hedge fund registration, and because hedge funds weren't an approximate cause of the financial crisis, everybody said, much like with Elisse, "Why would you be bothering with this, right now? We should be only responding to the crisis."

Mary Schapiro: But the reality is, if they had been a problem in the crisis, we wouldn't even have known it. We had so little information about hedge funds and their managers, their gatekeepers, their strategies. So, it was important to get that done. Proxy access, we lost the battle but we won the war. To Richard's point, earlier, we lost our case for the proxy access rule in court, but within about three years, virtually every company had adopted it exactly on the same terms as the Commission had proposed. So, it just took a little longer to get there.

Mary Schapiro: Climate risk disclosure, which we took enormous criticism for, enormous, and still do, even though it's ten years old now. And we might have been a little bit ahead of our time, but the reality is, having a framework and some guidance that the staff published around how to disclose risks related to climate change turned out to be pretty important.

Mary Schapiro: And the one that we took a lot of criticism for that I think has turned out especially well, because I read about it again this week, is the Whistleblower Program. We sought the authority from Congress to expand the existing insider trading Whistleblower Program to cover other violations. Companies thought it was a terrible idea, that it was going to decimate their in-house compliance systems and their in-house reporting mechanisms.

Mary Schapiro: The whistleblower community thought it was terrible because we would not administer it well, and that we had retained too much authority in the SEC staff to make decisions about the size of awards. But the rules were done in record time, the first award was done within a year, and I think you're up to \$360 million in whistleblower awards having been paid out to 62 people, since 2012. So I think it allowed the agency to jump start investigations, to move those investigations along more quickly, and I think gave a lot of credibility to the enforcement program.

Jay Clayton: Sure, David?

David Ruder: I just want to pick up on a couple of themes. One is the politicization of the Commission. When I was appointed, it was the end of a long period of John Shad's tenure, and at the end of the Reagan administration, and I was appointed

as Republican. The scrutiny was not great about my political views, so when I came in, I began to act as I had been trained -- as a lawyer academician -- to regulate.

David Ruder: I began to regulate, and the next thing I know, I was being criticized by the Republicans and loved by the Democrats. It was a very peculiar situation, and eventually, I said, "I've got to stand my ground," and finally at one point, the President's working group on the financial markets evaluated the '87 market crash, and we got into an argument about whether the margins in the futures market were equal to the margins of the stock market.

David Ruder: That debate went on, with Alan Greenspan taking firm positions, and I find myself on the outs, and finally, when the report came out, I dissented, and from that point on, I was Mr Criticized in Washington. Particularly, the House Agricultural Committee, which, you may understand, regulates the CFTC, called me in and grilled me for six hours, about how bad the SEC was. All I could say is, I held my ground and I thought it was very important to stand my ground as a regulator and in the process, I began to understand the commodities market, I began to understand the CFTC and I think, as a result of my standing firm, we gained knowledge from the CFTC about what we should be doing.

David Ruder: Today, I can say that the cooperation between the commodities markets and the stock markets is far greater than it has ever been, and there's coordination on very difficult international and other items that require that cooperation, and I like to say standing firm was the right path to getting that result.

Jay Clayton: That's great. I'm going to turn to Chris.

Chris Cox: David, talking about '87, and that's come up here a few times, and that reminds me, and by the way, I should apologize to everybody who is trying to understand what the hell I'm saying, because I have only one operating vocal cord, so that's why Jay's only asking me half as many questions.

Chris Cox: But, in 1987, I was working in the White House Counsel's Office, and Chairman Ruder, down at the other end of the avenue, got a phone call, very similar to the one that we got when I was in the Chief of Staff's Office with Howard Baker. He was John Phalen from the New York Stock Exchange, who called to tell us that he was going to close down the New York Stock Exchange, and it was just a courtesy call.

Chris Cox: Now, David and I went over this, we reprised this at an SEC Historical Society function in 2007, as it happens, just a few months before the financial crisis, and we walked through how this all happened at the time. But in the White House, after Howard hung up the phone, our view, sitting around the table, was that it would be a terrible thing to shut down the New York Stock Exchange in the middle of this crisis, that it would undermine market confidence, it would obviously destroy liquidity, it would prevent people from buying at fire sale

prices, and you'd have to decide at what price you reopen the market, and so on.

Chris Cox:

So, Howard got back on the phone, and called John and said, "The President of the United States wants you to keep that market open." Others advised him similarly, and as we all know, the market didn't close. Fast forward to the financial crisis in 2008, and one day in October, it was a Friday, October 10th. Silvio Berlusconi who is the Prime Minister of Italy, holds a news conference and says that we -- and it was understood that he meant the G8 -- have been discussing suspending the markets while we figure out how to write new rules. This quickly went all over the internet, and this just seemed like deja vu. I got on the phone, called the White House, called the heads of the Exchanges and so on.

Chris Cox:

Within 55 minutes, the White House put out a statement said that nothing of the sort is going to happen. But in that one hour, after the market opened, it went down over eight percent, and by the end of the day, that had recovered by one and a half percent. But these kinds of things are what make the job of being SEC Chairman really fun. I always try to just do that, every day.

Chris Cox:

In '87, I was in the White House for that market crash. We talked about 9/11, it happened I was meeting with the Secretary of Defense in his office in the Pentagon the morning of 9/11, and then I became Chairman, of course, of the Homeland Security Committee after that, and then for the financial crisis, I had a good seat, as well, as Chairman of the SEC.

Chris Cox:

But lastly, on this point about partisanship, my experience in Congress, chairing Congressional committees, I thought was good prep for chairing the SEC, because really, a five member commission that you've got to work with, even with the Sunshine Act, where it's got to be one member at a time and so on, is just a lot easier than talking to 20, or 30 or 40 people, depending on the size of the committee, and some that I chaired were that big. I had exactly the same experience that others have mentioned.

Chris Cox:

Our commission that Annette served on with me, was not about Republicans or Democrats. It was hard work, many times, to try and get everybody on board. But I always thought that if that were possible, it was better, because in doing so, you would learn things, you would hear things from other Commissioners with different perspectives and if you could square that circle in the real world, among the general public, there would be much more credibility to what the Commission was doing. I think it is absolutely possible to do that, no matter how people find their way to the Commission going forward. But it does take a lot of effort.

Chris Cox:

If anybody in Congress is watching, the live feed on this, fix the Sunshine Act so the Commissioners can actually talk to each other.

- Jay Clayton: Thank you.
- Chris Cox: Yes.
- Jay Clayton: Actually, let me make a comment, Elisse, just so you know, on the Fixed Income and the mark up, mark down rules, and the interest of the Commission working together, I know that Kara and Mike, Commissioners Stein and Mike Piwowar, we pushed that through. Thank you for getting it started. If you didn't get it started, it wouldn't have gone through.
- Jay Clayton: Okay, well, Chris, I was going to come back to you, but I'm going to give you a break and go to Richard, and then I'll come back to you. I actually look across here, and there are many people who are still active participants. What is it about today's markets -- I'm actually looking for a little free advice here - but what is it about today's markets that either you study, or it keeps you up at night?
- Richard Breeden: I wish I had an easy answer for you. Except, I think your portfolio is locked away, so you're probably in a good position given some of the macro swings. I mean, and I run an equity fund, a small one, and I used to think that it was mostly about identifying good, well-run companies. I care passionately about short term performance, but I invest for the long term.
- Jay Clayton: How do we balance short and long term-
- Richard Breeden: I think long term is a series of short terms, and a fascinating part of the American character, I think, personally, a strength, is that we are intolerant of failure and injustice, and a lot of other things, and when we see a problem, as a nation, let's fix it.
- Richard Breeden: Whether that's racial injustice, when I was growing up in high school and college, or whether it's environmental issues, or no matter what it is. Well, companies that are, I have the experience of trying to turn around Worldcom, and I'd much rather if the people sitting on the board, and their management had fixed that problem before it went into bankruptcy and put 75,000 people's jobs at risk.
- Richard Breeden: So, the notion that we should cruise along and not worry about problems of the moment, because we're thinking about the next century is hard for me, as an investment manager. I wouldn't want to own a company that has that attitude. On the other hand, I've served on 20 Boards of Directors, I've never once been on a Board of a company that ignored long term strategic planning. Some companies don't do a good job of it, and they need to be either reeducated or replaced.
- Richard Breeden: But the notion that we should deliberately dumb down the American market and report every six months instead of every three months, which would lead to

more insider trading, more volatility, as rumors replace reported numbers, to me that would be a huge step backwards.

Jay Clayton: Markets thirst for information.

Richard Breeden: Right. So, my frustration and concern is the degree to which markets are driven by algorithms. By the degree we've replaced trading by humans to trading by bots, and the bots, if they decide to react to macro forces, and we're living in an era where there's always macro challenges, it seems like we get them tweet by tweet, moment by moment, now. It produces a lot of swings and volatility that override investment fundamentals and that worries me at night.

Jay Clayton: Arthur, you want to jump in?

Arthur Levitt: In my era, one of the most significant changes dealt with the over the counter markets, and when I was in the securities business, the experience I had of putting out a bid and getting back responses, 20 responses within a fraction of one another told me this market was being rigged. And with the cooperation of the Department of Justice, we hammered home to the over the counter market our concerns and the likelihood of a next step being an action. We were able, as a result of that, to change the order handling rules, which had a dramatic impact on the way the over the counter business was done. It was a terribly, terribly important change in the markets.

Jay Clayton: I'm a little off script here, but is there anything that, Mary Jo, maybe you, that's going on today, that you think we should change? Okay, we go Chris, and then-

Chris Cox: Just a more general response to that question, because you mentioned crypto assets, as an example of applying, if you will, timeless legal principles in the SEC's existing framework to new challenges. Particularly where it comes to technology, I think that's important and we have to be careful not to write tech into our rules. We want to have rules of general application, because technology moves more quickly than the law does, it moves more quickly than our rule making does, and technology will actually be slowed down if the rules are too tech specific, because people need to have comfort that they're in compliance with the regulatory framework.

Chris Cox: So, these days, I'm as you know, a partner at Morgan Lewis, we're happy to be a sponsor of tonight's event, and also on several boards, and in those connections I constantly hear the need for certainty being raised. So, a rule that is not perfect, but is clear, is better, perhaps, than continuing to work toward perfection and coming up with no guidance whatsoever.

Jay Clayton: Thank you.

- Mary Jo White: Okay. Now, I share many of Richard's thoughts. In particular, just in terms of some of the issues that I think are among the most important, one that I really worry about is whether the Commission can actually keep up with the markets as a smart regulator. Both, is there enough visibility -- I mean, I know you're still dealing with, as several of us did, with consolidated audit trail and the visibility into as much of the space as you can get, the technology expertise that you're building, and I think doing a very good job at.
- Mary Jo White: And can we keep up, as a regulator, with these markets without stifling them? Do the laws really fit, as you say, Jay, as well as you'd like them to, to the new products that are out there, and so I think that's a real challenge for the Commission. I mean, one of the very good things that happened to the Commission was when it was allowed to pay enough to actually attract real market experts into the Commission, because if you want to build a system that catches fraud, or catches insider traders, I'd like to have a trader in there telling me how do you game this system. And so, it comes back to budgeted resources, too.
- Mary Jo White: But I'm just worried about real expertise, real visibility. Do we really have the technological capacity at the Commission to keep up with these markets, to regulate them optimally?
- Elisse Walter: I agree with virtually everything that's been said already, but I think we also have to look at, as the markets have evolved, whether we've got the right balance struck between regulation and competition, and whether our regulation applies evenly enough. But perhaps even more important than that, whether the marketplaces in their various forms, know that they should have a primary obligation to the protection of investors. I think that gets lost sometimes -- has been quite complicated by the for-profit marketplaces, and it's something that really needs attention paid to it.
- Jay Clayton: I like to say, it's their money.
- David Ruder: I have to say that I'm totally in agreement with this concern about technology, and the way the markets are being structured. There is great difficulty for the Commission, I think, in keeping track of how these algorithms are working, what the plans are, what to do in times of great stress, and I have no way of suggesting a solution, except for one, and it's not a very practical one. Get more money. Go to Congress and labor with Congress about the need to have IT, have a good technical understanding of the markets which costs a great deal of money.
- David Ruder: Some of us were involved at some point about what was called self funding for the SEC, and now the SEC is in a situation where it takes in as income more than it is paid to, itself. I think that the fact that the SEC could increase its income and get a larger amount of expenses to pay is something that's dramatically needed. That's your job, Mr Chairman.

- Jay Clayton: I'm going to take this little portion of the tape and send it up to the Appropriations Committee.
- Mary Schapiro: They'll send it back.
- Jay Clayton: Others on things in today's markets?
- Harvey Pitt: There is a problem in that, I think no matter how much money the Commission gets, it will never have enough, and that creates some serious problems. I agree with the issues that have been raised here. I also agree the Commission should be self funded. But I think that's unlikely for political, with a small P, reasons.
- Harvey Pitt: One other issue that does worry me, however, and it relates to the funding question, is the increasing burden the Commission faces with the proliferation of investment advisors, in particular. When the Commission examines brokerage firms, it has the help of FINRA, and that's a huge matter of assistance. But when the Commission has to look after investment advisors, it has absolutely no help. It has to do it all by itself, and there are fundamentally not anywhere near enough people necessary to help the Commission do it, and I believe there's a need to create annual or biannual compliance audits along the same lines as financial audits, so that investment advisory firms are examined every one or every two years, to protect public investors.
- Arthur Levitt: I agree wholeheartedly on that notion. I think the advisors are a danger point, and I think the Commission can't do enough to oversee them and monitor their performance.
- Jay Clayton: Message received. No, it's good to have it. Okay, let's go to stewardship.
- Richard Breeden: I just want to tell a quick story. I don't know whether I'm the only one here who is a registered investment advisor, but I resent you making all these aspersions about us, about regulating investment advisors. [inaudible 01:01:41] ...and I was inspected by the SEC three weeks after Hurricane Sandy devastated the Northeast, and the IRS said, "You don't have to file your taxes for a year," and the EPA said, "You can pollute for a year," and every other agency was trying to make it easy for those of us in the Northeast who had been wiped out. Not the SEC.
- Richard Breeden: I just want you to know, they were on the job, and three weeks later they called me up, and they said they're going to come do an exam, and I said, "Bring a chainsaw." And that was probably one of the more curious requests, I suppose, and he said, "Why?" I said, "Well, there's trees down in the street, you won't be able to get to our office until you saw a few limbs off, so ..."
- Jay Clayton: Did they get there?
- Richard Breeden: They did.

- Jay Clayton: Good.
- Richard Breeden: They wondered if our Emergency Preparedness Plan worked, I said, "Well, we're still here."
- Jay Clayton: All right. Let me switch to stewardship of the SEC. Elisse, I'm going to start with you. What aspects of your background do you think were most helpful as SEC Chair?
- Elisse Walter: Exactly. I think, as I mentioned before, I think the fact that I'm a staffer at heart and in reality, made a big difference because we had come through so many years of the agency really being beaten upon for what it did and what it didn't do. The morale had improved, but not to where it needed to be. I'm not sure it's still to where it needs to be. When I got to the agency in 1977, you were very proud to have gotten a job at the SEC. It was a very important place to be, and even those people, like my father, who didn't believe in government jobs, said, "Well, the SEC's okay, it's an exception to that rule."
- Elisse Walter: I think I was able to communicate that kind of pride to the staff, and that was very important. And knowing that the staff cared as much as they did, and were willing to hunker down and do things that were unpopular because it was the right thing to do, was something that you need at all times.
- Mary Jo White: Background, I mean, everybody brings something different, but I think everybody, as Chairman, also knows what the mission is, right? And I think that's what you see in common up here. I think you will see though, in every Chairman's tenure, what their expertise is, and what they bring tends to get a lot of activity and attention, which it should, frankly, because you're really adding more value, there.
- Mary Jo White: I mean, obviously, my background is an enforcement background, my service on the NASDAQ Stock Exchange as the Director for several years proved to be invaluable. Who knew, at the time, when I actually served in that capacity? So, I got to learn about all kinds of complex order types and so forth, and you're still wrestling with some of those issues that it's helpful to bring some knowledge there.
- Mary Jo White: And then I've been told that the other quality that I brought to the Commission in these particular times that are somewhat more politicized than some others described, and the era of Dodd-Frank, is my ability to take a punch, so ...
- Mary Schapiro: So, I had a background that I hope prepared me well. I had been CEO of FINRA, I had been CFTC Chair, so I understood the derivatives markets and the connection to the equity markets, and I'd had the benefit of being a Commissioner for six years, under David Ruder and Arthur Levitt, so I got to see two Chairmen who had a different style, but both did amazing jobs in their own right, and that was enormously helpful to me, and I'm sorry, Richard Breeden,

for the bulk of it, actually, so a year with David, a year with Arthur and four years with Richard. All different, but all incredibly committed to the mission of the agency, to the staff's having access to the resources they needed, the training, the opportunities. It was really a pretty extraordinary background.

- David Ruder: When I became Chairman, one of my friends said, "Do you understand how complicated that job is?" He had been at the Commission and he began to describe it to him, he told me that I had to worry about Congress, about the staff, about the Commissioners, about investors, about Wall Street, about the press, and the President. And I said, "Well, wow, let me think about that." And I thought, "Wait a minute, I've been a law school Dean." I had to deal with the faculty, I had to deal with the staff, I had to deal with the students, I had to deal with the central administration, I had to deal with many people.
- David Ruder: So, then I said to myself, "What did I learn while I was in that position?" Particularly with regard to the faculty members, and the Commissioners, I learned a lot because if you thought your Commissioners are feisty at times, you should deal with a law faculty. But I think what I learned to do was to listen, and I learned to pay respect to people, and at least, as I think about my time at the Commission, I benefited a great deal by letting people tell me what they thought and responding to them, and trying to help them accomplish the task that they thought was important.
- David Ruder: Jay, the good lawyers do this, because if you have a client that comes to you and says, "I want to do this," and you say, "Sir, I think that's illegal. But let me find you a way to accomplish what you want." That kind of attitude, to listen and then find solutions, I think was wonderful background for my time as Chairman.
- Arthur Levitt: I had extraordinary training for the job. I was a stock broker with a tiny firm, three people, that changed its name eleven times while I was with the firm as we acquired additional firms, and eventually, I became President of that entity, dealing with branch managers all over the country, dealing with customers and customers' complaints, and testifying before Congress many times.
- Arthur Levitt: Early in my career, I was in the cattle business, and my early testimony before the House was with respect to agricultural interests, and I then acquired the congressional newspaper. If there was ever a great background in terms of dealing with Congress, I had it, and that made my life a great deal easier. I formed some very unlikely friendships while I was in the job. Phil Graham was probably the closest relationship I had and he was a man who agreed with me on nothing political and it was our mutual love of Labrador Retrievers that made us fast fellows, and helped a great deal in terms of getting through a variety of complex legislation and getting his support, whereas my predecessors had a very difficult time with Senator Phil.
- Jay Clayton: Let me switch up from, I was going to say, you can do either question you want. How it prepared you, and then what's the best advice you got? Chris, why don't you do both of those?

Chris Cox: Oh, I was just going to follow on with this theme for a moment, particularly because I remember when Chairman Levitt testified before my Congressional committee, so we both had the same kind of good experience from opposite sides. But I just wanted to add that from my standpoint, the most valuable prep that I had for the job was my interactions with the staff, as a private practitioner, beforehand, and the reputation of the agency, going in.

Chris Cox: Just two things, I had been a partner at Latham and Watkins, an M&A lawyer, and dealt with the division of corporation finance, and what I learned in my interactions with the SEC, just from that standpoint, was that this was a different kind of agency. Unlike a lot of other state and federal agencies that you deal with as a practitioner, this was an agency where you could get people on the phone, where they would help you through your problems, where they were smart and understood what you were saying, where they would, on rule makings, if you took the time to write a comment letter, and there were some constructive thoughts in there, where it would actually show up in the release.

Chris Cox: It was really a stellar place, and that told me that in order to keep that reputation alive and to keep that performance level, you need to recruit really extraordinary people. That's why I went after John White at Cravath and I should add that, even throughout the financial crisis, Corp Fin never missed a beat.

Chris Cox: The other reflection on that same point, talking about Phil Graham. Paul Sarbanes, when he found out I was going to be SEC Chairman, wanted me to know one thing. He said, "The staff at that agency are what makes the jewel shine," and he said, "Whatever you do, always listen to the staff." Most of the time, that was really good advice. Way more often than the other way around, I assure you. So I think that my perspective might be a little bit like yours, because I came in with that as my idea of the SEC and under your leadership and the leadership of all the people that came after me. I've already spoken to what it was like before I got there. I think the SEC is shining ever more brightly.

Jay Clayton: Thank you. Bill?

Bill Donaldson: Hello.

Jay Clayton: How about, anybody else, best advice? Best advice that they got, coming into the job.

Bill Donaldson: I'd be glad to take that one.

Jay Clayton: You want to take that one? And then we'll go to Richard, then Arthur.

Bill Donaldson: Well, the best advice that I could see for anyone coming into the job would be to understand that there are two main roles in running the SEC. One is running a large organization, which is quite different than being a Commissioner on the

SEC. When you're running a large organization like the SEC, you've got to bring to bear all sorts of managerial expertise, if you will, to make sure that the place runs right, and runs correctly and honestly.

Bill Donaldson: When you're filling the role of a Commissioner, that's quite different. That's quite different than that. The SEC was organized recognizing that. Recognizing that when you're operating as part of a political organization, basically, it has a slant, a slant which is political. Which is, the majority to the SEC Commission belongs to the majority party. That gives, when you're operating in that arena, with those issues, they're quite different than running an organization.

Bill Donaldson: I think your question, if I can remember correctly, would be to think through how you are going to run those two different aspects of the job. One is running an organization and the second is running a commission, and running a commission with all the structural balance that was given, which is a political balance. Then I think you've got to be a real listener, and I think you have to listen to your Commissioners, and listen to what they have to say. That requires listening to what they have to say, and not putting it through a political something-or-other, listening to what they have to say and then making the best judgment that you can.

Bill Donaldson: I think back to my time as Chairman of the SEC, and we have, I think something like, three votes out of many hundred where I voted with people from a different party than I was in, and that meant a lot to me, to be able to do that. But that made a huge thing, in the press. You would think that the world has come to an end when a Republican appointee voted with a Democratic opponent.

Richard Breeden: I know we're running low on time here, and you've got a couple questions that were rolled up into one. I started out on Wall Street and had the great good fortune to get a chance to work for George Herbert Walker Bush, the most wonderful person I've met in my professional career. Working with him for seven years in the White House was the best preparation I had, and during that time, we were trying to design, we worked a lot with John Shad and with the heads, Paul Volker, the heads of all the federal agencies, trying to design what the regulatory world ought to look like post-S & L crisis. We knew it was going to go at some point, or at least Treasury kept telling us it was, and we had to know what the regulatory structure was going to look like.

Richard Breeden: I'd had a chance to work with the Fed and the CFTC, and the SEC, and all these agencies, and Ronald Regan used to speak in his speeches about a shining city on a hill, and he was referring to America, talking about that. Well, it became clear to me, in my time in the White House, that the SEC was in the regulatory world, that shining city on a hill, and over the years, I've wondered exactly why.

Richard Breeden: It doesn't mean it's because the SEC, when it over regulates is less bad than every other agency when it over regulates, we're not perfect. We miss things. Madoff and other things have been screw ups by the Commission. We're not

perfect. The staff isn't perfect, the Commissioners aren't perfect, and Lord knows, we can all agree, the Chairs are not perfect. But still in all, the Commission is about values. Transparency and fairness, and equality, and there's not another agency in the federal government that is about values the same way that the Commission is.

Richard Breeden: So, the best advice I got, was the day before leaving to come over, to be sworn in, and I was having lunch with the President in the White House mess, he was having a cheeseburger, I was having, for the record, grilled salmon, and I said, "We've never had the talk about the mission, and what you want me to accomplish," but we'd worked together for a long time. He said, "Richard," he said, "I trust your judgment." He says, "Listen to people, understand the problems, then do what you think is right, and it'll all come out fine," and that was the best advice I ever got.

Arthur Levitt: The best advice that I had came really, as a result of building and running a large brokerage firm. I saw all the things that you can do wrong in terms of handling other people's money. I had a vision for all the things that we could have done better. I had a vision for the kinds of rules that might have distinguished us from the rest of the group, and it was wonderful experience, combined with owning the Congressional newspaper, and having served on two base closing commissions, where I came face to face with the titans of Congress. I was better able to advance the Commission's interests than almost anyone else in terms of the unique experience that I brought to the job.

Harvey Pitt: Actually, the best advice I got came from an unlikely source, it was Chris Dodd. At my confirmation hearing, he said, "Your job isn't to be liked, your job is to do what's right and don't worry if people attack." I may have followed his advice too closely, but it was excellent advice, and it's the advice I think every Chairman and every Commissioner has to follow, is to do what they think is right.

Harvey Pitt: I will also say, the best skill that I had in coming into the Chairmanship was my fond appreciation of history. I think if you don't appreciate the history of the agency, what its mandate is, what its staff does, and keep that at the forefront all the time, you'll fail, because it's the history of the agency that accounts for its great stature and that's something that has to be forefront in every Chairman's mind.

David Ruder: I think I've said my piece.

Mary Schapiro: So, I think the best advice I got, and I got it from many quarters, from Senator Reed, who was one of my sponsors at my confirmation, to many of you on the stage, to President Obama, was to keep the public interest front and center in everything we did.

Elisse Walter: I don't think that can be topped. You want to try?

- Mary Jo White: No. But I'll say something anyway, I guess. I mean, basically, when the President asked me whether I would do this job, as some of you know, I'm not a huge fan of Washington, or politics, either. But what was so attractive and compelling about coming to Washington to head this agency was this agency, and its history, and its independence. To me, that means what Harvey is saying, and others have said, which is, no matter how many people may disagree with you, your job is to do the mission of the SEC, which means doing what you think is the right thing to do.
- Mary Jo White: When I sort of made this speech to one of you, on the panel, the best advice I got from that former Chairman, if he or she remembers it, was, "the job of the Chairman is a very perilous job, in this political climate, and what you do is you keep that moral compass, and the right thing to do, public interests in the forefront, and then trust and rely on the great staff of the SEC." So, that's what I did. I have a few holes to show for it, in taking a few bullets, but it was very good advice.
- Jay Clayton: Great. Well, let's do this, we're running out of time. But you know what, we'll start with you, because you have the mic, any final words, as we go down the line, in celebrating our 85th year, all of you here together?
- Mary Jo White: I mean, I think you've heard it from everybody, I mean, the SEC is just a great, great agency and it's great because of its people, and you can tell that from the alumni, how loyal they are to the agency, how they perform in the agency, how long many of them stay, and it's the right people who stay at the SEC. I think it's our job, mutually, to see that it maintains itself at that high level of quality, independence and serving the public interest.
- Mary Schapiro: I would just say thank you for giving us a reason to all be together again.
- David Ruder: I'd just like to add one word about how important it is to have a wonderful staff. My two best, most reliable staff people are in the audience, Linda Fineberg and Dan Goelzer, and they were the people I needed to rely on, I did rely on, and each Chairman should have someone like that.
- Harvey Pitt: I'm going to have a last word in a moment, so I'll pass.
- Chris Cox: I just want to give a shout out, because three of the Commissioners that I served with are here in the room right now, Elisse Walter and Cyndi Glassman, and of course, I've already mentioned Annette. The Commissioners that I served with, as much and indeed more than the staff, because we spent so much more time together, really formed my experience and made it extremely positive, notwithstanding that of my four years, one of them was troubled by a global financial crisis.
- Richard Breeden: Though my kids hope to have a self-driving car soon, I think that notwithstanding all the technology that we have developed, the excellence, and

the experience and the judgment of the human beings who run the SEC and who serve on its staff, and who confront every day the problems that crop up, and those problems, you never solve them. They reassert themselves in new forms in every year and every generation, and it takes people committed, combining with excellence, and an institutional framework to be what the SEC has been for the last 85 years. I pray that 85 years from now, it's unlikely, that at that moment they will choose to celebrate by watching this program, but if they did, I hope that 85 years from now, we still will be celebrating the grand and glorious history of this commission, both for what it does for our own country, and what it does for the rest of the world.

Richard Breeden: We haven't mentioned that, but I think we are an example of capital markets that can be run with the fairness and equality, and interests of investors in mind, and we are the example of that in the world, and it is this body, this institution, this rare, unique thing that has made it a reality for these, throughout our history and I hope that'll always be the case, each generation.

Bill Donaldson: Yeah. I'd like to just add one comment to all of you, here. I've had an opportunity through my career to run a lot of different organizations, public and private. You all are here, I believe, because of the SEC itself and what it has stood for, through the years. Absolute integrity and a balance created by man, by people who organized it originally, very smart, the way it was organized. It's a great organization, and it's going to be in your hands, one way or another, if you choose to keep it that way. I congratulate all of you in this room, for having put up with all this conversation quietly. I'm sorry we didn't give you a chance to say something. But maybe we'll get that chance in a few moments.

Jay Clayton: Okay. All right. Harvey, did I hear you say you wanted to get the last word in?

Harvey Pitt: No, I said I will get the last word.

Jay Clayton: I believe it. So before you do, I have a penultimate word, and that is, I want everyone to know that when I came to this job, each and every person on this stage reached out and offered their time to me. And as I've gone through the job, the advice they've given me has been ringing in my ears and I took a little time to write it down, before today, and I'll go quickly. So, David, you told me, "It's a special job, treat it as such," okay. Richard, "Don't waste a single day, every moment is precious." Arthur, you're the longest serving Chairman, you get two. He told me to, "Be the people's Chairman," and "Communicate with your fellow Commissioners." Thank you.

Jay Clayton: Harvey, you're always the cheerleader, you never tell me I'm doing anything wrong. You just say, "Keep doing what you're doing," but when I need a lift, I love to hear, "Keep doing what you're doing." So thank you. Chris, I'm going to digress. Chris's advice goes back 30 some-odd years. I was an intern on the Hill and Chris was a freshman Congressman, and I took a Dear Colleague letter up to his office to be signed, and guess who signed it? Chris Cox.

Jay Clayton: Had me in his office, he said, "What's this for?" Signed it, gave it to me, and I'll always remember that, and you know, you took the time to talk to an intern. I try to take the time, every now and then, to talk to an intern. So, thank you, Chris.

Chris Cox: I'm still available.

Jay Clayton: Mary, you told me to stay current, keep my ears to what's going on. Very good advice. Elisse, "Trust the staff." I guess that's not a surprise, given Elisse's comments. But it was really good advice. Mary Jo, you told me to stay above the fray, stay true to the course. And Bill told me to listen, which you shared with us today. So, thank you all for your advice, and with that, to the man who will get the last word.

Harvey Pitt: Well, I only have the last word because I'm a sponsor, so...

Jay Clayton: It's a free market.

Harvey Pitt: I only have ten brief points to make. First, it was an honor to be part of this round table. I think, with the current speaker excluded, you're seeing some real quality in public service. People who gave of themselves and did so fearlessly and honestly, and that's a part of what makes the commission great. It's a tradition that I think Chairman Clayton is following quite ably. You are doing a great job, so you should keep doing what you're doing. I'd also like to thank the SEC Historical Society and Jane Cobb for putting all of this together. I think this is a wonderful occasion, and it's great to be a part of the 85th celebration.

Harvey Pitt: I thought there were several takeaways from the conversation. The first was that the staff has always been great and deserves a kudos. I think it is remarkable that the Commission has continuously attracted very fine talent. It was true in every one of our administrations, it's certainly true today, and Elisse is right, the staff is what makes the Commission great.

Harvey Pitt: Another critical message is that every commission and every Chairman is really, at best, building upon those who came before. A lot of important work was done, and although the specific issues may change, the nature of the issues and their importance remain the same. Next is that this is an agency that functions best when it's not political, and all of the Commissioners, and all of the Chairmen come to the job trying to do their very best, and it strikes me that that's one of the reasons why the SEC has excelled where other regulatory agencies have not.

Harvey Pitt: As part of that, it's important that every Chair recognize that the other Commissioners are very critical to the success of any administration. Next is the fact that whoever is Chair will be criticized no matter what he or she does, says, or doesn't do. So, it doesn't pay to worry about what people will say about your

initiative. It only pays to do what you think is right. Accept the fact that there'll be criticism and go on with the job.

Harvey Pitt: I do have to take issue with Chris on one of the things, I think governing in the face of various crises is not always fun.

Chris Cox: I appreciate your correcting the record if I left that impression.

Harvey Pitt: However, it is better to be part of the solution and that, I think, is Chris's crucial point. There is a constant concern, I think all of us who have served have, which is whether the SEC can actually keep up with all of the demands being made on it. It's remarkable, but over 85 years, this agency has kept up. Sometimes better, sometimes worse. But there is a real need to bring to bear all of the resources available, so that the Commission can continue to succeed. And finally, one theme that clearly came through, particularly from Arthur, is, to be a Chair of the SEC you really have to love dogs. Thank you.

Tom Gorman: Harvey had eleven points, I only really have one. I'd like to thank everybody who participated in this, all the former Chairs, Chairman Clayton, and most all of you who came to listen to this program for what I think is a really incredible, interesting, outstanding conversation that shows you just why the SEC really is the great agency that it is. Thank you.