Securities and Exchange Commission Historical Society
Interview with Marcia Asquith
Conducted on October 17, 2013 by William Thomas

WT: This is an interview with Marcia Asquith for the SEC Historical Society's virtual museum and archive of the history of financial regulation. I am William Thomas. The date is October 17th, 2013, and we're in Washington, D.C. at FINRA.

So thanks very much for agreeing to chat with us today. We usually begin by just addressing a little bit of personal background, where you're from, if what your parents did is relevant to the path that your career took you can talk about that, otherwise we'll just go into your education.

MA: I grew up in Oklahoma. I'm an Okie from Muskogee, and I went to Oklahoma State for undergrad, and then I left Oklahoma and went to William & Mary for law school. I never went back to Oklahoma after that. From William & Mary, I came to Washington, D.C. in 1990, and I worked first at the United States Department of Agriculture as an attorney advisor and I did financial programs, including farm lending.

I left USDA in 1995 to go work for Senator Dick Lugar. He was then chairman of the Senate Agriculture Committee, and I worked for him as one of the counsels to the committee doing financial programs, including work overseeing the Commodity Futures Trading Commission. So that's how I came to the securities world, through doing derivatives at the CFTC, overseeing them when I worked for the Senate Ag Committee.

WT: That's interesting. We should talk about that. I wonder if we can start by going back a little bit to your education. What did you study as an undergraduate?

MA: I studied economics and history.

WT: Okay, did you have a mind of going into law at the time?

MA: I knew I would probably go to law school.

WT: Yes, okay. And so then what brought you to William & Mary?

MA: Well, I had wanted to go to William & Mary as an undergrad but I had a sick mother and I had a full-ride scholarship to Oklahoma State, so I ended up staying in Oklahoma for undergraduate, but I had been interested in the school and just ended up going there. It wasn't because of any particular focus that they had.

WT: Did you specialize in any particular kind of law? Did you imagine that you would get into securities at that point?

MA: No. I actually thought that I wanted to do environmental law, and that was one of the reasons I went to USDA. But when I got to USDA a lot of people wanted to do environmental law, because they do work with the Forest Service and other federal

agencies that have a lot of environmental impact. They needed someone to do financial services work and litigation, support the Department of Justice in litigation on financial items. It was around the time that there was a lot of work going on with rural development and with different farm credit programs, so that's how I got pulled into that.

WT: Could you tell me a little bit about that work?

MA: I did work with the division at USDA that was rural development mostly and farm credit. I don't remember the name of my division now. The agencies that I advised included what was then called the Farmers Home Administration, the Rural Development Administration, and then I also did some work with the Food Safety Inspection Service, but that was mostly when I went to the Hill.

When I was at USDA, I was advising the different departments on how they set up loan documents for different loan programs and reviewing the rules that established the loan programs. There was a lot of work involved with the Con Act, which gets revised every five years in the Farm Bill, and so in 1995 they were getting ready to do the next Farm Bill and that's when I went to work on the Hill.

WT: So, coming up through law school, did you have any particular mentors or role models or anything like that?

MA: Actually, a woman named Jayne Barnard at William & Mary. She was my securities law professor and also taught corporations, and she was also my civil procedure professor, and she was a role model I would say and was also just a very nice person and good friend, and since then we have stayed in touch. She was involved at NASD in some committees. She was on our NAC, the National Adjudicatory Council, and since I've become corporate secretary she has joined the FINRA Investor Education Foundation as a board member.

WT: So then, tell me a little bit about your move to the Hill, what circumstances brought that about, who you were working with there, that sort of thing.

MA: Well, as they were getting ready to go into the next Farm Bill they needed legal help, and I had interviewed on the House side to work for Pat Roberts, who was the chairman of the House Ag Committee at the time, but one of my colleagues at USDA got that job. So then, when they were interviewing for the job on the Senate side, the chief counsel there, a fellow by the name of Dave Johnson, called me because he knew I had interviewed with the chief counsel on the House side, and said, "Are you still wanting to go to the Hill?" and I said, "Yes."

I was just a little bit bored at USDA. I had gotten to the point where it's a great job if you're a mom or you need a very set schedule, but I was single and I had a little more ambition and it just was a little bit too staid. The Hill was much more interesting. The hours were much worse, but I was working with a lot of young people and I had a lot of

responsibility for the things that I was assigned to do during the Farm Bill. I got there right when the Farm Bill was starting up, and so it was a very busy time, and it was exciting and fun.

WT: Could you tell me a little bit about the Farm Bill, what was going on with that?

MA: Well, at that time that was the bill that they called Freedom to Farm, and a lot of the programs that were included in that bill were not necessarily things that I was working on, but those are what got all the attention, getting rid of these subsidies and instead having a series of loan programs to help farmers through the difference. Farming is so cyclical with the boom and bust, depending on the weather and other things. But the programs that I worked on included authorizing some new rural development programs and modifying some of the rural development programs, working on the farm credit programs, and I also worked on some food safety and agriculture research programs in that Farm Bill. The ag research programs, a lot of them got put off and then there was a separate ag research bill two years later that I also worked on. So it was after the Farm Bill wound down and that's when then I picked up the commodity futures trading issues.

WT: Okay, could you tell me a little bit about those issues? I know that derivatives were becoming increasingly prominent there in the 1990s. You were at the Senate Agricultural Committee from '95 to 2001, I see?

MA: And maybe around '98, I'm probably going to get the exact years wrong, but Senator Lugar started a series of roundtables with different stakeholders to talk about the reauthorization of the CFTC, which came up periodically. The interesting thing about derivatives oversight in Congress is that it's split between different committees. On the Senate side, the Banking Committee and the Agriculture Committee have jurisdiction. The Ag Committee has primary jurisdiction. On the House side, you've got the Ag Committee and the Financial Services Committee. A lot of people attribute that to the split, to why there are two agencies, the CFTC and the SEC, and the political nature of that, that the Ag Committee has historically had jurisdiction over the CFTC, and so they're not inclined to merge it with the SEC or to give that up.

Senator Lugar started a series of roundtables with the stakeholders to talk about what needed to be changed and addressed and how derivatives were used, and basically a lot of information gathering, because the markets had changed a lot in those years since the previous CFTC authorization. So there were a series of hearings and meetings and trying to come up with various solutions to some of the problems that people brought up, and the biggest issues at that time were the use of swaps and derivatives and how they were going to be treated in the bill. Senator Phil Gramm, the chairman of the Senate Ag Committee, was very adamant that they not be regulated and they not come under the purview of the CFTC, and there was a lot of tension about that. In retrospect, they probably should have been more regulated, because of everything that's gone on since then.

WT: I know that the original accord between the SEC and the CFTC was about ten years old at that point. Were there signs that that original accord, that the terms of it had changed with the increasing prominence of the derivatives?

MA: The thing that got everybody all worked up was this pronouncement by Brooksley Born who was then the chairman of the CFTC that they were going to look at regulating these instruments, and that caused a lot of uncertainty in the markets among the people. It wasn't as much the terms of the accord were changing, but it was Brooksley Born making this pronouncement. There was a lot of desire to have more legal certainty over the products and that's what came about, and the reason the bill was lobbied so heavily by financial services institutions.

There was a lot of money at stake and there was a lot of desire to have less – it was the typical tension where the businesses wanted less oversight, and the banks and the various dealers. But there was also a view that retail customers aren't as prevalent in the futures markets as they are in the securities markets, and so those rules have always been drafted differently and laws have a different focus than the securities laws, and that was the biggest change. And there was a view that sophisticated users of these instruments should be able to negotiate the terms and not have them as regulated, so that's the biggest difference between the futures and the securities markets is the focus on the retail investor in the securities markets.

WT: Right. Could you tell me a little bit about the people surrounding the committee, your role in that and so forth?

MA: Yes. In addition to myself and our chief counsel Dave Johnson, Walt Lukken was the professional staff member on the committee who worked with us and helped shape the legislation. He later became a commissioner at the CFTC, and then acting chairman at the CFTC and now he is head of the National Futures Association. So he was instrumental in that work. There were a lot of folks then from the New York Stock Exchange who were up lobbying us during that time, as well as people from the various futures exchanges.

WT: Were you responsible for speaking with them, or was that somebody else?

MA: Yes.

WT: Okay.

MA: Walt Lukken, myself, Dave Johnson, the staff, yes, we would meet with Washington representatives from the exchanges in working out the deals of the item, and it wasn't until either there was a disagreement that couldn't be worked out, at that point then their CEO would go to a member of Congress and it would get elevated. But for the most part, the details were worked out at the professional staff level.

WT: Did Chicago still have a big role at that time?

MA: Yes, at that time there were both the Chicago Board of Trade and the Chicago Mercantile Exchange. They had not merged at that time, and so they were both very active in lobbying the Senate and the House during the CFTC reauthorization. I became good friends with some of those folks, and later recruited Julie Bauer from the Chicago Board of Trade to come to FINRA, and when I changed jobs she came here to take over our government relations.

WT: So for the people from New York, was this fairly novel then at that point for those people, or was it well established?

MA: No, they were used to dealing with the CFTC. There was a staff person at the New York Stock Exchange who was assigned to monitor the CFTC and to be their liaison, and she is actually how I came to be at NASD. Her name was Susan Milligan, and she had worked at the CFTC for Sheila Bair, and then went to work at the New York Stock Exchange. I met her during the CFTC reauthorization when she lobbied me, and when NASD and NASDAQ were splitting up the government relations people from the joint organization, they mostly decided to go with NASDAQ.

So as that change was happening, Howard Schloss was brought over from the New York Stock Exchange. Bob Glauber, the chairman of NASD at the time, and Mary Schapiro, the head of NASD regulation, hired Howard Schloss from the New York Stock Exchange

to come head up government relations and communications at NASD. Howard had previously worked with Susan Milligan at the New York Stock Exchange, so she called me and said that NASD was looking for someone and was I interested in leaving the Hill, and if so I should call Howard and apply for the job. And that's how I ended up coming to NASD.

WT: Was this another case where you had been kind of getting tired of the Hill environment, or was it just a great opportunity?

MA: I was tired of never being able to control my schedule and never being able to schedule vacation because the Senate—it was during that period of time that it became progressively more political and recesses became much shorter. They would work up until almost Christmas, and the recess schedule had gone out the window often over disputes over everything. So it had gotten hard to schedule any time off, and it's a hard place to work for a long time. It's a fun, exciting place to work, but it's also hard on your personal life, so I was ready to leave. Having worked in the federal government for eleven years, I was also tired of not being able to afford to buy a house in Washington because it's so expensive, so that was another motivator. I had almost left the Hill twice, had interviewed and almost left twice, but it didn't ever seem the right fit.

WT: Were those also securities-oriented things?

MA: One was the American Bankers Association, so it was more financial services, and one was McDonald's, so it was not, because I also did food safety when I worked for Senator Lugar. So I ended up waiting. And then NASD was great. I didn't have any doubts then that it was the right time to leave and it was a good fit. I had known Mary Schapiro from when she was close to Senator Lugar because he had helped her through her confirmations as CFTC Chairman, and so he spoke highly of her.

I didn't work on her confirmations—that was before my time—but he spoke highly of her and had followed her career since she had left the CFTC and the SEC, so I knew who she was. And so when I came to interview and met her, and we had a good connection over Senator Lugar, and I liked Bob Glauber a lot, who was the Chairman at the time, and that's who hired me to come here to work.

WT: Had you known him?

MA: No, I had not known him.

WT: A couple of questions before we get onto the NASD: first, were the people who were working on the CFTC, I guess you might say hived off from the rest of the people on the Agriculture Committee, who were working for the Agriculture Committee, because the issues are somewhat different?

MA: We weren't hived off because we all did a lot of different issues, so in addition to working on the CFTC issues I also worked on food safety. So, no, it was always just you knew who was assigned in the CFTC issues, the lawyers and the professional staff people, and we had an economist who also did work with us. So no, people wore a lot of different hats. There wasn't a big separation.

WT: Do you know the name of the economist?

MA: Andy Morton. He's now an economist at the CFTC.

WT: And the other thing is, I mentioned before the interview that this was part of a series on women in regulation and so I was just wondering if I could ask you about your experiences with that theme, what the proportions have been in the places that you've been through law school, on the Hill, and so forth, if there have been any difficulties, if your relationship with the lobbyists, for example, were culturally affected by that in any way, that sort of thing.

MA: I think that I came to Washington at a time—I certainly wasn't a trailblazer. I mean there were a lot of women ahead of me. The agriculture world is very male-dominated. I'm from Oklahoma, and so that wasn't as much of a cultural difficulty for me as it might have been to somebody from a large city or the east coast.

The Senate certainly was/is a very male-dominated place, but I find that it was a really good place for women, especially if you could work hard and stay late. I'd say it wasn't an especially family-friendly place. My colleagues with kids, I think it was harder for them. I think not having children or being married at the time was probably the biggest distinction, being young. That's why so many young people work on the Hill, right? You're not making any money and the hours are just awful.

Being a woman, that's one reason probably that I did leave USDA. If you look at the ranks of the senior lawyers at the time in the early-to-mid '90s at USDA, there was not a lot of turnover at the top. It was mostly male. There was one woman who was a deputy general counsel. It really was very male-dominated. Another reason that I didn't mention—but one of the cases that I got stuck working on at USDA, and another reason that I left there, because it was a very long, lengthy litigation, was with the black farmers suing USDA for discrimination in the loan-making and loan-servicing process. That litigation finally made it to the Supreme Court, I think, I don't know, three years ago. There's still remnants of that litigation that's ongoing, but I remember saying at the time, if I stay at USDA, I will be working on this case the rest of my career, and I was not far from wrong. So that was another reason that I wanted to leave.

Being a woman in the securities industry is a little bit like being a woman in the agriculture industry. There aren't a lot of women. NASD at the time had a lot of women in leadership, Mary Schapiro, Elisse Walter, Linda Fienberg, and it was a great tone at the top I'd say, so I haven't ever felt held back here by being a woman. But you are

cognizant of the fact that most of your colleagues, especially as you move up the food chain, are men, and mostly white men, too. It's not a very diverse world. I think that as there's more diversity in the ranks at the SEC that helps here, because we hire so much from the SEC.

And the thing that's the most troubling from the female perspective here is also the lack of women on the board of not just NASD and FINRA, but of all the exchanges, and I think that's troublesome. But that's also true across corporate America, which I'm more aware of now that I'm the corporate secretary looking at practices of boards and governance of public companies and other nonprofits. I think that's just as a troubling trend, too.

WT: Can you feel that culturally, or is it mainly just in the numbers of people?

MA: You can feel it culturally, because it's the nature of boards that boards recruit people that they know and that they trust and that they value their judgment. And so if you've already set up a system where boards are populated by mostly men of a certain age, then those tend to be the people that they know and that they recruit and so it is self-perpetuating. There's nothing nefarious about it. It's just human nature. I think that it does take some outside pressures and sort of spotlight on the issue to make them think about it, and FINRA has struggled with this and we recently added a new member to the board who's a woman, but we've lost two women in that past year. So it's been difficult.

WT: I was going to ask you about NASD, but you've covered that on your own. So, why don't we then talk about your position as director of government relations? These are interesting times, of course, to be in government relations.

MA: Well, that's not my job anymore.

WT: No, I know.

MA: Yes, I was the head of government relations when I got here in '95 through—no, that's wrong. Well, I got here in 2001, so I had that job from 2001 to about 2006. And it was during Sarbanes-Oxley and during the 9/11 attacks, there was something going on with the Hill from the minute I got here. I definitely hit the ground running. NASD at the time, and still to this day, we don't have a PAC. We're prohibited from raising political money. So the government relations job at now-FINRA is an interesting job because it's a much more substantive job than a lot of lobbying jobs in Washington, because you don't have any money to give to politicians, so you have to develop relationships by being helpful on the issues and being a resource of information.

One of the things that we started doing while I was doing the government relations is, we started doing investor forums with members of Congress and their districts based similarly as to what Chairman Levitt did with town halls with investors. We would go to Congressional districts with a member of Congress, and we'd invite investors and we'd come and do a presentation about how to make good investment choices and how to

protect yourself, how to check out your broker, and those types of things. We did those with members of Congress over the course of four or five years.

When the market turned there wasn't as much of a demand, because a lot of members of Congress didn't want to be out talking to constituents when the market was not as strong, so we tapered those off I in 2008. We'll probably start back doing those. But they were very effective, and they were one way that we could develop relations with Congress. The first ones we did were with Mike Oxley, who was then chairman of the House Financial Services Committee, and we took Mary Schapiro and Bob Glauber, and we went to Ohio and we did them all over his district. We did three of them, in Lima and Finley, and I don't remember the third one.

But from then on, once we started doing these and other members saw them, they wanted us to come to their districts to do them because we were able to get investors to attend and we were a credible source of information, and we weren't trying to sell them something. So, it was a good time to be doing those, and that was probably the biggest thing that I worked on.

We weren't pressing for any legislation. We did get legislation in a bill so that we could have immunity from lawsuits if we gave out BrokerCheck information on the Internet. And so, previously, BrokerCheck was not online because of that. We have immunity from lawsuits for information that we give out through BrokerCheck, but there had been a reading of the original law that it didn't apply to Internet dissemination of the

information, and so once we got that bill changed we were able to put BrokerCheck online. That was another issue that I worked on while I did Congressional relations.

WT: With the Congressional relations then—we were speaking to Gerri Walsh actually last month and it sounds like there were sort of similar activities going on. Was that coordinated with the investor education area?

MA: I worked a lot with John Gannon, who at the time was the head of the Investor Education Foundation. And these programs, we did these road shows with members of Congress and John's team would be the sort of arms and legs and substantive person, and John would go to the events with us, too, so he was also part of that, yes.

WT: Right. So with things like the Sarbanes-Oxley legislation, were there particular issues that were particularly pertinent to the NASD?

MA: Actually, no, there weren't. We were left out of the crosshairs of that for the most part. We did a lot of monitoring and making sure that they weren't doing anything that would impact us, so for the most part, no. It was very much geared towards public companies in this and more towards accounting. There is one issue that it impacts, the PCAOB audits of the accountants who audit broker-dealers is an issue, but we do not lobby for the broker-dealers, so we were not involved in that.

WT: Could you tell me if the 21(a) report, when you arrived here, if there were still things going on pertinent to that? You mentioned that the breakup of NASDAQ and the NASD was more or less what brought you here.

MA: Right. The 21(a) report had already been issued and had for the most part, I think, implemented a lot of the changes once I had gotten here, and Mary Schapiro and the team she brought when she came on board had been instrumental in doing a lot of that. Probably some of the vestiges of the 21(a) report, it might influence why we did or didn't do certain things, it might be sort of the underlying driver, but I wasn't ever involved in the implementation of it except for the fact that the NASDAQ had split off and NASDAQ was trying to get exchange status. I mean that was sort of at the heart of, as we moved to where the regulator and the regulated market were separate that overarching structure was part of that, but on a day-to-day basis, no.

WT: Okay. And of course the next major reorganization is the creation of FINRA.

MA: Right.

WT: Could you tell me a little bit about that, how it might have affected what you are doing? You had moved actually by that time to be corporate secretary?

MA: Right. We knew that the transaction with the New York Stock Exchange was percolating and was going to happen. And so at that time our then-corporate secretary, Barbara

Sweeney, was nearing retirement age, and so Mary Schapiro asked me if I would come work on the team that was going to work on the merger and transition into the corporate secretary role. She thought it was important that I be part of the group that was working on the transition and be familiar in the creation, be there sort of, even though I wasn't corporate secretary yet.

FINRA had a team of folks who worked on the transition. It had a code name, Project Park Avenue, at first because it was secret, because confidentiality and New York—I think at the time New York was a public company and so it was very hush-hush. And we had a war room on the fifth floor, and I was part of that team and we worked on all the materials and I got very involved in working with Delaware counsel and drafting the proxy statement and working on the drafting of the changes to the bylaws that will be necessary to effectuate the merger.

And so that was really my first project as deputy corporate secretary, working with then our general counsel, Grant Callery, and Bill Haubert, our lawyer at Richards, Layton & Finger in Delaware, on drafting those documents. It was exciting, and then finally it was approved in, I guess, the end of July of 2006, and so that's when we became FINRA and our new board structure went into effect. And then a little bit after that my predecessor, Barbara, retired and I became the corporate secretary. So I went through maybe three board meetings as deputy corporate secretary and then became corporate secretary.

WT: Could you tell me a little bit about that transition into that role, why you would have been chosen for it, whatever else you can add?

MA: Well, I was friends with Mary and I told her that I was ready to do something new and I didn't know quite what it was. I didn't know whether Barbara was going to retire, but I said if Barbara Sweeney is going to retire any time soon I would be interested in that role. I knew Barbara and knew the work she did with the board, I knew the types of issues and skills it took and I thought it was a good combination of my legal background and sort of my people skills which helped me in my government relations job.

So I thought it might be a good melding of those, and also Mary was the CEO at the time and she and I worked closely together and I knew that the corporate secretary worked closely with the CEO, so we both thought it would be a good fit. And so that's when she said, "That's a great idea," and talked to Barbara about her retirement date and so we moved forward from there. It was a very natural, easy, it was basically one conversation.

And so the hardest part was telling my then-boss, Howard Schloss, that I was going to change jobs within the company, because we had enjoyed working together. But I still worked with him even moving into this new role. And then Mary, after Obama was elected in 2008, then she left us in January of 2009. But I knew Rick Ketchum, who had been our Chairman, and he eventually became CEO. We had an interim CEO, Steve Luparello, for three or four months and then Rick became Chairman and CEO.

WT: Of course he had been at New York Stock Exchange Regulation in the meantime.

MA: Right.

WT: So, I guess that he would have been particularly appropriate then to lead that transition, given his previous experience here and so forth.

MA: Right. When we became FINRA and the New York Stock Exchange Regulation portions of it came over here, that was when Rick was named Chairman and Mary was CEO. So before that Mary had been Chairman and CEO of NASD. She then became CEO and Rick became Chairman, but he kept his day job as the head of NYSE Regulation until, then, the board recruited him to be the CEO of FINRA.

WT: So tell me a little bit first about the relations between the corporate secretary's role and the whole creation of FINRA process. I know you mentioned the process itself. I'm wondering a little bit more about what the corporate secretary specifically was doing, and then after that we can talk a little bit about the relations with the board.

MA: Well, with the general counsel's office, the proxy document that went out to all the member firms, anything to do with that election, the actual mechanics of the election and sending out of the ballots, that all goes through the corporate secretary's office. The sort of administration of the election is really what my staff worked on, but this was of such importance legally to the structure of the organization, that it was blessed by a lot of

lawyers and there was a lot more legal involvement than we would have in most of our proxy ballots that go out. Now, when we have elections, they're not particularly contentious. So that was really sort of the nuts and bolts of what our office did.

But my role more was I worked on this because I had been on this team since before it was announced. We did a lot of drafting of talking points. We had call centers for members to call in with questions. I still was helping with Congressional relations and explaining the merger to the folks on the Hill and sort of working in that role. Under this new board structure, we had to start thinking about recruiting some new board members and so I was also involved in that. So it was a busy time.

WT: We were actually talking with Barbara Sweeney not too long ago, and so she was telling us about the whole process of finding people who can be elected to the board, and then coordinating that whole process. So why don't you give us your perspective on that?

MA: It's a hard niche to fill, because now that our board is a majority public it's different now, but some of the same challenges exist. The public members, you want people who are familiar with the securities industry but who are not beholden to the securities industry in any way.

WT: I definitely wanted to ask about this point, yes.

MA: And so, finding people with that knowledge but without the self interest is difficult. We often turned to people who have retired from the industry, or people who are legal advisers or law professors—there's several of those. Harvey Goldschmid, a former Commissioner from the SEC, is one of our public members, and he chairs the Regulatory Policy Committee. Joel Seligman, another legal scholar, is on our board as a public member. Then there are people who just have good judgment and are smart and well respected and have been recruited for other reasons.

We brought on a lot of board members who were also on the board of New York Stock Exchange Regulation, and so that's how we ended up with half of our public governors. So, that included at the time Shirley Jackson, who was the president of RPI; Ellen Brown, a former state securities commissioner from Maryland;, Dick Pechter, who was one of the founders of DLJ but long-time retired; a gentleman by the name of Kurt Stocker, who had been a corporate communications person in his career but was on the board of NYSE Regulation.

And then we have the public governors from the NASD board, including Jim Burton, the former head of CalPERS who was then the head of the World Gold Council; Bill Heyman, who used to be the head of trading and markets at the SEC and is the chief investment officer at Traveler's. They don't have a large enough broker-dealer at Traveler's, so he's able to qualify as a public governor. Joel Seligman had been on the NASD board, so we kept him.

It's tough to find people in that spot. It's something that the MSRB is going through right now. They're expanding their board, and I know that they're having some of these same difficulties. The move towards more public governance on SRO boards, I think, is a positive thing, but also its application on the practical level can be a challenge to find people who are willing to forego being on the boards of broker-dealers. There's almost a public service element to it, because our board is not a lucrative board. We just increased the pay to $80,000. It used to be $50,000 plus committee service payments, but now we got rid of the payments for committee service and it's just a flat fee of $80,000. So, yes, it's hard to find those people.

WT: Staying at that practical level, too, I imagine that in your position in particular there is a need to gain familiarity with an incredibly wide swath of the financial securities industry, as well as people like law professors.

MA: Right. In addition to the eleven public members of the board, we have ten industry members. Three are elected from the small firms, three from the large firms and one represents mid-sized firms. Then we have somebody who is affiliated with a floor broker of the New York Stock Exchange, someone who's affiliated with an investment company, and someone who's affiliated with an independent broker-dealer so we cover a lot of ground there.

And those seats, we're just now starting to have turnover on the board, because for the first three years after we became FINRA we had a transition period and the transition

period didn't count towards the time that a governor could serve on the board. Then the next term started and that was a three-year term, or a two-year term or a one-year term, because they became staggered. So we're about to have the first turnover of the first class of the FINRA board members in July of 2014, so it'll be our first time that we've had to find a new floor broker member and three new public members, and they will all roll off the industry. The small, large, and mid-sized people all are elected so they go through an election process.

WT: Okay. So what other roles, then, are there in the corporate secretary position besides the dealings with the board?

MA: Well, dealing with the board, administering the elections for the board. I also administer all the elections for the various committees at FINRA, the National Adjudicatory Council and the Small Firm Advisory Board and all the district elections, and that process is underway right now, so that's at the top of my mind.

I view my job more than working for the board as working for the CEO. I give Rick—or Mary before him—sort of my guidance on how things should be presented to the board, when they should be presented, sort of in managing interactions with the board among the senior team and the board. Board meetings are a little bit like working in the Senate. In the Senate you never wanted any surprises, and you really don't want any surprises at the board meetings. You want to know kind of where people stand and how things are going to turn out so that you can reach consensus.

Most boards, and certainly the FINRA board, operate by consensus and so it's not a matter of counting noses. It's a matter of seeing where people are and working out solutions that meet everybody's concerns and come to the right spot that they can be adopted. That's more my job, I think, and that's more like my job from when I did legislation. It's very similar.

WT: Most of the work takes place outside the actual meetings, just like most of the work takes place outside the votes in the Senate.

MA: Right, exactly.

WT: All right. So, it's all board-related then basically in this position, and these other committees that you mentioned.

MA: Yes. And then I'm also the secretary for the FINRA Investor Education Foundation and it's the same type of thing.

WT: Right. So, could you tell me a little bit about working with some of the interesting people? You've mentioned Rick Ketchum a little bit. I know we've talked to him, I think a couple times actually in the past. So, what's your perspective?

MA: Both the good and the bad of working on the board is you're working with people who are at the highest level of their career or they've accomplished something that makes them good candidates to be on boards, right? And so that's been probably the most interesting part, is meeting all these people who've done fascinating things.

I think Jack Brennan, who's our lead director and is the former chairman of Vanguard, is a really impressive, lovely individual, and I've learned a lot working with him. I would say in addition to Rick and working for the board overall, I feel like I also work a little bit for Jack because as our lead director he has a lot of input into our agendas and what we do. And he's very smart, he's very knowledgeable about people and business, and he has a wide swath of contacts. He's been great at helping us recruit board members.

I think people like Jim Burton, who chairs our audit committee; he'll be leaving the board in 2014 and that's going to be a big loss because he's got a lot of knowledge about our board. He's been on our board for a long time, both the NASD and the FINRA board. It's been great working with Harvey Goldschmid. He's certainly deservedly well-respected in securities regulation.

I think seeing those people in their roles has been great, and it's also been great to see how they work with the industry. At the board meetings you kind of see where the rubber meets the road with self regulation and with public oversight of the self-regulator, and so we have a lot of debate about what is the best course to take in protecting investors. And

it doesn't usually break down among industry and public governors. They usually all come to the same agreement about what is the right thing to do.

And so I think that's the thing that a lot of the cynics, probably, while recognizing that FINRA is funded by the industry, that really in the boardroom people are wearing their investor-protection hat and they are not bringing their parochial interest of Morgan Stanley or LPL to the table, but they are looking at the greater good of investors and the markets. And that's the thing that's really wonderful about our board and getting to work with these people.

WT: So, let's talk about maybe some of the issues of the past four or five years since the financial crisis, the Dodd-Frank legislation, JOBS Act. You were mentioning this a little bit of this earlier, so I don't necessarily want you to repeat yourself, but we didn't focus on it so I'll let you take the lead on that.

MA: Well the JOBS Act, the most recent piece of legislation to impact us, really our role there is in establishing some sort of framework for crowd funders to register, and it's a little bit unclear how that's going to play out. Dodd-Frank, it was a lot of rule-writing but it didn't necessarily impact us on a day-to-day basis. I think of the events of the past, I don't know how many years it's been, but I think the hardest events that I've been through since I've been here were both the Madoff and the Stanford cases and both of those cases were difficult in different ways. In the Madoff case, because he was running this enterprise through an investment adviser that—FINRA does not have access to the books and

records of the investment adviser and it was completely hidden. And it was just a very hard thing because on his broker-dealer side he had been involved in NASD committees, and I know he was involved with the NASDAQ board. So it was hard from a PR perspective, and it was hard just from missing it and seeing how someone could do this and fall through the regulatory cracks. So, that was sort of the beginning of our push to try to get oversight of investment advisers, which ultimately has not till this time been successful, but it's something that the board has been focused on since then.

The Stanford case is a little bit different in our board. We had a special committee convene of our board and they hired an outside law firm and they did a review of the Stanford and Madoff cases in sort of a lessons-learned thing. I think that's how we're moving to this more risk-based analytics to try to focus where the highest risks are on our exam program. I think, more than the legislation that was going on at the time, I think those two cases and our board's role and having a special review committee look at what happened, that's been more of an impact on a day-to-day basis and with the management at FINRA.

WT: Have any of these events affected the ideas concerning responsibility vis-à-vis the SEC?

MA: I don't think so. At the end of 2008, the SEC took big hits for Stanford and Madoff. FINRA sort of lives and dies by the SEC. When the SEC's up, it helps us. When the SEC's getting beat up, that's not helpful for FINRA. Anything FINRA wants to accomplish legislatively or as a big public policy we have to have the SEC's support, and

the SEC has to be on board and they have to want it and they have to push for it. Because they have a lot more clout and political power than FINRA does because they are not only the primary regulator of the securities markets, they are also FINRA's regulator and they oversee us. While we're out doing day-to-day sales practice and how securities are sold on a day-to-day basis, the SEC oversees us. And so while we have a partnership with them, we're also sort of in a parent-child relationship and an overseer relationship, so it's a complicated relationship.

Everyone always said, "That's great for FINRA," when Mary Schapiro went to be Chairman of the SEC, but it was actually very hard for FINRA because Mary was a great advocate for us and when she went to the SEC she had to be recused from FINRA activities. So that was hard, that we lost that advocate. The SEC Chairman is always somebody that our Chairman and CEO have talked to about issues, and so when they weren't able to talk to Mary about those things that was hard and so I hope we're not in that position again for a while.

WT: I suppose it'll be the same thing with Elisse Walters, then.

MA: Right, Elisse had a one-year recusal from issues. And then Mary went later, but Mary also took a little bit more expansive view of recusal and was much more cautious. Elisse, once her year was up, we were able to go in and talk to her.

WT: If I can return to the theme of women in regulation, you said you were actually quite close to Mary Schapiro. What is it like to be in contact with the people who are viewed by certainly a number of people as kind of the first to be at the top of the SEC, or the pyramid so to speak, if it even has any sort of an effect anymore?

MA: I think Mary has such a great reputation, and people respect her, and Elisse, too, so much for—I don't think it's because they're women. I mean it is the roles that they've held, that they've succeeded in an industry that's historically male. But it's also interesting that, if you look at women who've been successful in financial services, a lot of them do come up through the regulatory side, right, so they're much more likely to have come through regulatory or legal channels than through the trading-desk channels, which is an interesting male-female dichotomy.

Doing government regulations and taking Mary to the Hill was always easy. She has great relations with Congress. Elisse was always respected. They both have great people skills and I think that's what's helped them succeed, and I think that's probably the one thing that I've learned is the importance of relationships and political instinct and they both have that.

WT: Okay.

MA: They have it in different ways, and they're both very nice, charming people and good friends. They've both been very good friends to me, so it was hard to see them both

leave. It was hard to see Elisse leave and then to see Mary leave, because not only was Mary my boss but she was also my friend. And then you can't really call her, so it's a little bit weird, right? She had always, I think, wanted to be Chairman of the SEC. She had said she wouldn't do it, but then when Obama called her it was hard to say no.

WT: So, is there anything we have to address, or are we kind of coming to the end of it?

MA: I'm good.

WT: All right.

MA: All right.

WT: Well, thank you very much then.

MA: Thank you.

[End of Interview]