Securities and Exchange Commission Historical Society
Interview with Richard Roberts
Conducted on May 15, 2014 by William Thomas

WT: This is an interview with Richard Roberts for the SEC Historical Society's virtual museum and archive of the history of financial regulation. I'm William Thomas, the date is May 15th, 2014, and we're in Washington, D.C.

So, thanks for agreeing to speak with us today. The focus of our interview will be on municipal securities and your time at the Commission, but really it's an oral history of your life so why don't we start with a little bit of your personal background. You are from Alabama?

RR: I'm originally from Alabama. I went to Auburn University, went to engineering school, decided I didn't want to be an engineer, went to law school at the University of Alabama, and then practiced briefly in Tuscaloosa where the law school was located. I worked in a very small-practice law firm with a private practitioner who was in the Alabama state senate at the time. He wanted to run for Congress. He did run for Congress in 1979 and won, and I moved up here with him the first time, and I worked for him as chief of staff. His name is Richard Shelby. He is in the Senate now. I worked for him for two terms.

I moved back to Alabama and worked for several law firms, mostly small law firms. I did some municipal securities law at that point in time, probably more tax than disclosure related, but I did learn a little bit about municipal securities disclosure at that time, or the lack thereof. And, again, this was in the early '80s. When Congressman Shelby was

elected to the Senate, I moved back up in ’87 and served as his chief of staff. I left early in ’90 just for a brief period of time and worked for a law firm in town, and then I was appointed to the SEC at some point in time in 1990. The term had already started but I served for five years – served a few months past my term, almost five years – left in August or the end of August in ’95. I worked for a consulting firm for a few years, then worked for a law firm, the same firm, for almost ten, and then started my own consulting firm around 2006 and I have been there ever since.

WT: All right, so when you were working for then Representative Shelby, he was on the House Energy and Commerce Committee?

RR: Well, it started out actually as the Interstate and Foreign Commerce Committee, and the name changed to the Energy and Commerce Committee, I think in 1980, in our second term, ’81.

WT: Could you tell me a little bit about the activities there?

RR: It was very interesting. It was my first exposure to the SEC. The Committee has now morphed into the House Financial Services Committee, but at that point in time banking and securities and other things were separate, and we had Securities and Exchange Commission oversight. First, Harley Staggers was the chairman. John Dingell was the subcommittee chairman, and then he was the chairman. He was one of Senator Shelby’s mentors, and Chairman Dingell, as we all know, was very interested in the SEC – a tough

man, but protective of the SEC too, and definitely supported full funding of the agency, tough enforcement – I mean, being fair and reasonable and balanced, but aggressive, tough enforcement in keeping with the agency's history – and he was also pretty tough on the agency on the rulemaking side, especially in terms of their priorities.

So, Chairman Dingell had this mixture, a balance of being protective and tough at the same time. I learned quite a bit about the SEC, and it was a good, positive perspective to learn from someone who was really interested in the wellbeing of the agency but held it accountable.

WT: What were some of the big issues at that time?

RR: Well, funding of course was an issue, and I think you had a number of things about what the direction of the enforcement program was going to be. It is very interesting, this was, again, in the early '80s, and Chairman Dingell was encouraging the Commission to be bolder and more aggressive in areas other than insider trading. And, ultimately, when I was there, I could see the SEC doing that, so that was very interesting from an enforcement perspective. He was very supportive of the funding of the agency. I think that he was pleased with some rulemaking projects, disappointed with others, and it wasn't all the Commission's fault. Pertinent to this interview, he was disappointed that the Commission was not more active in the municipal securities area even in the early '80s.

WT: Of course, at that time the MSRB had been created, so there had been some action in that area but there wasn't the disclosure regime that we would see later on.

RR: I don't exactly know when the WPPSS problem happened in Seattle.

WT: That was around then, '82, I think.

RR: Yes, I think that was the trigger for him. That was what I thought, but I may have my timing mixed up. But that had an impact on Chairman Dingell; and, as he always did, he made his views forcefully with the SEC. So, that's certainly one of them. There are others as well.

WT: Were there politics surrounding the SEC at the time? Of course, Richard Shelby was a Democrat, but a southern Democrat.

RR: Not really. You didn't have the politics around the Commission that you do today, or even when I was at the Commission, and it was certainly less politicized when I was there than it is now. For the most part – not always, but for the most part – everyone in the agency was pulling in one direction, and they were treated very favorably by members of the House and the Senate on both sides of the aisle.

WT: Did you yourself develop a particular interest in securities at this time?

RR: I'm glad you brought that up – one of my motivators was Chairman Dingell's interest in municipal securities. When I left Congressman Shelby after two terms, that was one of the areas I went to work in. We were involved in a number of housing finance matters at some of the firms I worked with. Local housing authorities issued bonds, and we would represent the issuers.

WT: Was this in Alabama again?

RR: Yes, it was in Alabama, and also we were underwriter's counsel on some things, but mostly issuer's counsel, and probably did more work in the multifamily housing area than any others. One of the firms I worked with, we represented the Housing Finance Authority. And there were always, at that point in time – again, this was from '83 to '87, not all that period of time but some of that time, '83 to '86 – it was a big multifamily housing push and so there were constant bond issues.

WT: The '86 Tax Reform Act came along during that time, too.

RR: The TRA drove a lot of that, because folks wanted to get in before the Act became effective because it took away a lot of the tax incentives in that space. You're absolutely right.

WT: Did you have a chance to see its effect on the law? I know you mentioned that you had worked quite a bit on the tax issues of municipal securities.

RR: At that point in time, in ’86 is when the Act happened. I followed it, but I was about out the door then. Senator Shelby was running for the Senate at that point, so I was in between. But that act, which I don’t remember much of now, really had a lot of changes. I guess that was probably – it wasn’t the last tax act, but probably the last big tax act. There was one I guess in the first President Bush’s regime, but nothing as comprehensive as that.

WT: Okay. And so I gather that you’d maintained quite a bit of contact then with Richard Shelby, and did he ask you back then when he became Senator?

RR: He asked me to come and work for him as chief of staff, and I was very fortunate that he asked me and I was able to do that.

WT: Okay, so tell me a little bit about that experience and moving over to the Senate side.

RR: Well, he was all banking on the Banking Committee. He was a freshman member, of course, and still a Democrat at the time, very active, and I can’t speak for Senator Shelby but I can give you my impression of his views. His views were in large part formed by Chairman Dingell. He was largely supportive of SEC funding, not maybe as much as Chairman Dingell, but largely supportive, even today. He wanted the agency to hit the right note in terms of enforcement, and by that I mean he wanted the agency to balance the competing objectives of being tough and aggressive and fair and reasonable. He

expected the agency to enforce the rules that they adopted, and if they weren't, to change those rules.

He was, even more so than Chairman Dingell, a little more disappointed on the rulemaking side. He didn't feel like, at least early in his career, that the agency spent enough time on cost benefit analysis. Certainly, that's changed today. He just didn't feel like in some instances, I don't know if I can think of specific examples, that they were quite as rigorous on the rulemaking front. He also supported enforcement, continuing to focus on insider trading, but to broaden their scope.

WT: Oh, of course that's the big issue at the time, too, the insider trading cases.

RR: Oh yes, and the Commission has always done a great job in insider trading, but you're right. It was really a little later, because you had some of that beginning to happen, the Milken and the bond scandals, the junk bond scandals. You also had savings and loan scandals at the same time, so that drove a lot of activity. I can't speak for Senator Shelby. I think he was pretty pleased with what the SEC did in the enforcement context with respect to those instances, and I haven't heard too much complaint about that. And so in many respects he mirrored what his mentor Chairman Dingell's views were with respect to the SEC, maybe a little more pronounced in some areas.

WT: Okay. And of course there was the '87 market break, too. Did that have a big impact?

RR: Yes, not only was there the ’87 break, but you had smaller ones in like ’89, ’91-’92, you had a series of ones thereafter. And certainly that had an impact on him because I think he wanted to know what – you can’t hold the SEC responsible for what necessarily happens in the marketplace, but it does cause you to reexamine their regulatory structure in the space. Again, I believe that he was of the view they were doing a good job in the enforcement context. Maybe they weren’t quite as – and it’s very difficult to do so – maybe weren’t quite as prospective in terms of their rulemaking, or did not quite look as far ahead as he thought they should.

WT: And one of your first speeches as commissioner was on the 1990 Market Reform Act, I think.

RR: Yes, and the Act was quite good. I had some mixed emotions about it, and again, that’s a pretty solid instance where most members of Congress were supportive of securities legislation. I mean, it was not viewed through the partisan lens that SEC legislation may be today.

WT: Could you give me just an outline of your activities as chief of staff? What did that entail kind of on a day-to-day basis?

RR: Well we had about thirty folks probably, more than that if you counted the state staff, and it’s just to meet with people to try and make sure the Senator was prepared. He was on Armed Services, and Senate Banking, and I think Aging, too, the Select Committee on

Aging, at the time when I was there. He ultimately went to Appropriations, but he was on Armed Services when I was there. So, to make sure he was prepared for his meetings, and more importantly to try to be responsive to constituents. Because, again, he was just elected, and your first term, he was not going to run Washington. He just had an experience as a first-term Congressman, so he sort of understood that. He knew that he was not going to run the place, and he knew that his views once in a while may have some impact, but they weren't going to have the impact of the senior members. He tried to contribute where he could, but he didn't necessarily get heavily involved in everything. He tried to pick his spots, because that's what you have to do when you're a freshman, a new member.

So he focused more on the state really than he did in Washington, to make sure his position was secure. He was responsive. And, again, he had come from a seven-county district to I think a sixty-seven-county state. Even though there's only a few population centers, it's a pretty wide span of territory, so he spent a lot of time in all these different counties. Of course he did that in the campaign, but he certainly did it after he was elected. So when I was there, again, in the first half of his first term, it was more Alabama-focused.

WT: Can I ask you just a little bit about – he would have been a southern Democrat, basically in the mold of those who had been left over from the prior era of the southern Democrat, is that correct?

RR: That is correct. He was a southern Democrat, a conservative. Everyone was a Democrat, but it was changing. The landscape was changing at that point in time, and, again, I can't speak for Senator Shelby, but he had thought about changing parties as early as when he was in the House, and I think as part of the Reagan revolution. One of the members who came in with him as a freshman Congressman was Phil Gramm. They were and remain very good friends, and of course Senator Gramm had a very conservative pro-economic capitalist philosophy that Senator Shelby agreed with in large part. He was probably more of a populist than Phil was, but that had a lot of influence over him and he could see how the South was beginning to change, that for whatever reason the centrist Democrats were becoming fewer and fewer. Phil Gramm started as a Democrat and switched parties, I think in the '80s, actually.

WT: Yes, I mean they were both some of the later people to switch over, I think.

RR: Yes, they were. Well I think Gramm may have been one of the first, actually.

WT: Oh, really? Okay.

RR: Yes, I think so. I think so, because I believe think he did it in the House side, and then he ran for the Senate, so I think he switched ten years earlier than Senator Shelby did. Alabama, of course, is a southern state. It moves at a little slower pace and so things unfold there a little slower than they do in Texas. But the same political dynamic that

was taking place in Texas was taking place in Alabama and Mississippi, Louisiana, Georgia, South Carolina, Tennessee.

I don't know that he necessarily changed his views a lot, although as you get older you tend to become more conservative in a lot of instances, and I think that's been true with him. I think he was of the view that he always thought he was in the center, and I think his view was the center moved on him. I don't know if that's true today, but I think that was true when he switched parties. So that was an interesting change. Now, again, when that change occurred I was not working for him; I was at the SEC.

WT: Right. Tell me a little bit about how your nomination came about.

RR: I expressed an interest in the SEC. I learned quite a bit, at least in a cosmetic macro sense – hopefully more macro than cosmetic – from Chairman Dingell, working on the legislative front. I had the opportunity to work in the space a little bit, not much, more so in municipal securities than others in the '80s for a brief period of time, so I had an interest in it. I talked to folks in the agency. They were very proud that they worked there, and enjoyed it very much. It had probably one of the highest approvals from a federal government job survey standpoint at the time, and everyone was comfortable with the mission. It was well received in Congress on both sides of the aisle. It had a very positive history. So I was interested in the agency, I knew a little bit about it, and it was attractive to me. I was still interested in government at that point in time, and I thought that I was a longshot candidate, but I was interested in the position.

WT: It was fairly common, certainly then I think, for people from Senate staff to go over into there.

RR: More so today, but even then you had a few folks from the Hill going to work at different agencies – not just the Commission, but different agencies.

WT: So tell me a little bit about the Commission, then. Richard Breeden was chairman.

RR: He was chairman, and, again, the Commission is nonpartisan. So, I was a Democrat. The first President Bush, 41, was President at the time, and Senator Shelby was a Democrat but he was a conservative Democrat, and they were looking to put a conservative Democrat on the Commission. So the stars were aligned for me.

WT: Right, you had replaced Grundfest, who had been in the Reagan Administration.

RR: Yes, Commissioner Grundfest, who was irreplaceable of course. But the agency is not immune from politics, and that's the interesting part about why – one of the reasons I think so highly of the Commission is that I like the setup. Other agencies have it, too. You have five members. You have that nonpartisan makeup. It gives you a really good balance and a broader perspective, and you don't have folks just ramming through sort of a single kind of interest, you know, one issue, that sort of lean to one side or the other. It's usually a little more balanced than that.

WT: Well, first of all, the Commission at that time was actually fairly youthful. You were less than forty. Breeden, I think, had just turned forty.

RR: Yes.

WT: Mary Schapiro was even younger.

RR: Mary was already there. She was younger than I was. Ed Fleischman was a little older. And Phil Lochner was there at the time; he was a little older, but still youthful. Not much older than me. And so, yes, it was younger. Chairman Breeden was an excellent chairman, a hard-driving guy. I didn't necessarily agree with everything that he was for. Of course, I didn't necessarily agree that everything that I was for either, especially over the passage of time. But I had the opportunity to serve under – I'm not saying they were the greatest Chairmen, but I thought they were very good Chairmen – both Richard Breeden and Arthur Levitt. It was an honor and privilege to serve on their Commissions. I think they both did an excellent job. They were a little different, but they weren't as different in terms of substance. They were certainly different in terms of personality and management style and things of that nature.

WT: Could you tell me a little bit about those differences?

RR: Well, I mean Richard was younger and youthful, more energetic, in some respects, more emotional. Chairman Levitt was later in his career, calm, sedate, more patient, not as prone to youthful initiatives. He wasn't interested in moving as fast. He wanted to be more careful, whereas Richard just wanted to get things moving. But having said that, the substantive output of the two Commissions wasn't much different. Thematically, it was still the same, while the mission changed at some point in time around then. When I first came in it was just to protect investors, and then the efficiency of the capital formation process was added, I believe during Chairman Levitt's term. I don't exactly know when that happened. I think it happened when I was there, but I may be wrong about that. Do you recall, Will?

WT: I don't know a precise moment of turnover. I know that Breeden was very interested in capital –

RR: Yes, he was interested, but I don't know that it happened until after I left. It may have been part of the securities market improvements, the Securities Litigation Reform Act, or NSMIA, which happened thereafter. Anyway, I'm not sure about that, but that transition was beginning to take place. And it had more impact later; it didn't have much impact right away. Like anything, it takes a while. I think it has much more impact today, that mission change, than it did then, because at that point in time folks were not litigating quite as much against the SEC as they do now. That theory hadn't developed like it had today.

Both Chairmen were very tough on enforcement. I mean, they were very tough on not only making sure we were bringing enforcement actions, the right action, but they were tough on the enforcement staff too. I mean, they wanted them to dot their i's and cross their t's, and in those closed meetings both Chairman Breeden and Chairman Levitt, they'd be tough on them with respect to their cases. They believed that the SEC – and I do too – at its heart is an enforcement agency and that the public opinion of the SEC will rise and fall on the back of its enforcement actions. It's not the only thing they do, but from a public perception standpoint, they believed it was the most important. I think that's pretty clear today because the enforcement misses that have occurred have really negatively impacted the Commission. So on enforcement, it was almost the same, and they wanted a broader reach, too. Not just insider trading cases, cases against banks and firms, but securities, against public companies too – just a broader array of enforcement actions. Chairman Breeden really started that, the focus on public companies, especially financial institution enforcement activity, which you see all the time today.

On the rulemaking side, it was pretty much the same as – well, definitely Chairman Breeden had more in terms of number because he was very active, he always wanted to do so much. In some respects, Chairman Levitt probably had bigger initiatives. The order-handling rules, for example, after I left, which started – I mean, he really changed market structure probably more than any chairman in modern history.

WT: Okay. So could you tell me a little bit more about the rules that were made?

RR: I was afraid you would ask me that, because the memory gets a little dim.

WT: Were they disclosure-oriented mainly?

RR: Chairman Breeden was very disclosure-oriented. He probably developed the first set of comprehensive executive compensation disclosure rules, very controversial. And Chairman Breeden also – for a Republican you wouldn't think this – was also a real strong protector of shareholder rights. He believed in shareholder democracy, you know, the one-share-one-vote concept. So, we had proxy reform, we had executive compensation disclosure rules, which were very controversial with respect to corporate America. Chairman Breeden told me that he never saw as many corporate executives as he did when they were involved in the executive compensation disclosure rules, so clearly he hit a nerve with those.

Proxy reform, Section 16 reform, executive compensation, those are things that came to mind. He also did some things in the municipal securities area, you know, amendments to Rule 15c2-12, also was involved with an interpretive release at the time. So he was very active on the rulemaking front. So, those are some of the things I remember. Is there anything you wanted to refresh my recollection on?

WT: Nothing in particular, I think. I know that derivatives and that sort of thing were becoming more and more prominent at this time.

RR: Chairman Breeden's Commission brought the first enforcement case in the derivatives area – probably more of a sales practice case, but it involved derivatives. Procter and Gamble was involved in sort of a derivatives problem. Also you had a similar case against an investment firm, whose name I cannot recall. Anyway, he brought a couple of derivatives-related cases. They weren't the kind of cases you see today, because they had more of a sales practice focus on them. Chairman Breeden also brought the Prudential Securities real estate limited partnership enforcement case, which was a big case at the time. He also wrapped up most of the Milken and those kind of Drexel Burnham cases.

WT: I think it may have cooled down by the time that you got there, but I think that there had been some friction between him and the CFTC over jurisdiction.

RR: Yes, I mean Chairman Dingell had the attitude that the two agencies should combine. Chairman Breeden believed that. I think Chairman Levitt did, too. He just wasn't going to waste his time with it because that wasn't happening. I think that's a good stark difference between a guy who's been around for a while and a guy who hasn't – you know, pick your battles, and Richard didn't pick his battles. He just wanted to fight them all. And so he pushed that. That didn't sit very well with Senator Gramm, among others, as well as the Agriculture Committee both in the House and the Senate, as well as the Futures Industry, and they pretty much handed him his hat on that one. But conceptually, I think if you were starting the agencies from scratch, you would do that. That's the way it would start. But I think, politically, it was just a nonstarter in my view.

WT: It's easy to look back on that now from twenty years after, everything that's happened with derivatives and asset-backed securities and that sort of thing, but what was the perspective on it at the time? I mean, these were new innovations. I know that there was a lot of potential that was seen in them, but I think that it was also understood that these had to be sold to appropriately savvy, sophisticated investors.

RR: And that was one of the arguments, a very successful argument from the futures side, which is that it was an institutional product at that time. It has only recently become a retail product. I think that underscored the difference between the two agencies. At the time, the CFTC did not have to have the investor protection focus that they do today because of how the products were handled, so it was mostly a product for professionals and professional investors, big guys who could take care of themselves. But that was an interesting fight. Chairman Levitt learned from how Chairman Breeden was treated in that space, and did not wave the flag on that particular effort.

WT: I know that Breeden was also involved in some of the post-fall of the Berlin Wall internationalization of the securities markets.

RR: He was very interested in broadening the focus of the Commission, not only domestically but internationally. Actually, Chairman Ruder kind of started that, in my judgment, before I got there. That was my impression. Chairman Breeden picked up on it, really launched it forward, and Chairman Levitt built on that, so you had a pretty good history of the SEC recognizing that they had an impact not just domestically, but internationally,

and they'd better pay attention to what's going on. And if you didn't, then, if nothing else, you're going to drop the ball from an enforcement perspective. See, that was the first concern. If you want to protect investors, you could no longer just pay attention to what was going on in your country. You had folks in other countries doing things in your country that maybe they shouldn't be doing.

And you know what? I'm so glad you brought that up, because I was not as active in that space as, say, Mary Schapiro was, but I think the SEC's work in the international space, especially from the late '80s, for that decade, almost a decade, was extraordinary, and I don't think they received enough credit. The SEC has received a great deal of criticism for not looking down the road. That's one area where they did, and successfully in my judgment.

WT: One of the reasons why I wanted to ask about it is because I know that Breeden was involved with the reopening of the stock market in Budapest, and I noticed on your bio that you had been involved in Romania and Ukraine maybe in a similar way?

RR: When I left the SEC, you're barred from practicing for the agency for a while. I wasn't quite sure what I was going to do. Like anyone else who had been at the Commission for five years, I was pretty weary. While I enjoyed, loved working in government when I did, I was kind of weary. You have sort of the aftereffects and a little bit of the aftertaste. You kind of go through three phases. One, you're really glad you worked there, but sort

of glad you're gone. And then you look at your time at the agency wistfully. And then you almost forget about it. Those are what I call the three phases.

So there were some opportunities to go abroad and work. I'd never really travelled much. I couldn't really practice law, certainly couldn't practice before the SEC. I wasn't sure what I wanted to do, so I had an opportunity to work for some contractors in the international space. I didn't get paid a lot, but it was one of the more enjoyable times in my life. I used to go to Romania or to the Ukraine probably for a couple weeks, more than that, probably for a week or so every other month.

WT: Okay. And another issue was accounting, so there was the question of market value accounting which was coming up, and then I was reading through some of your speeches and you were talking about pooling versus purchase accounting and mergers, I think.

RR: Chairman Breeden focused a lot in the accounting space, especially a lot in the accounting enforcement space, and did a really good job. Chairman Levitt built upon that too. That was, in my judgment, under Chairman Breeden's tenure sort of the beginning of the accounting enforcement context. Through that, I didn't know much about accounting, I got to work closely with the accounting staff. I think they're just fantastic. I still do to this day, although I don't know them as well personally. So they were kind enough and gracious enough to talk to me about certain issues. That was one of the issues that they did and I had an opportunity to talk about it, and ultimately it happened, they did change the standard, although after I left.

WT: And before we get to the municipal securities focus, I wanted to ask just very generally about relations with Congressmen, and with the staff of the SEC as well.

RR: My relations with the staff at the time – of course, I just thought the world of the staff that was there when I was there, I guess everybody does, and I thought so highly of them that when I was sworn as a Commissioner, I had Judge Sporkin swear me in, because he had that SEC experience behind him. He was gracious enough to swear me in. That was one of my prouder moments. I'm very appreciative to him for doing that. I wanted to do that because I thought it was a privilege to have someone that was on SEC staff swear me in as Commissioner. You know, granted, there were a lot of fights and tussles and things of that nature, and differences of opinion, but at least the five years when I was there, under both Chairmen, the staff was held in very high regard.

WT: Were there particular individuals who you worked especially closely with?

RR: Well, certainly. I mean, I think legendary individuals – you know, Linda Quinn unfortunately passed away several years ago, in Corporation Finance. Elisse Walter was deputy director. Everyone thinks they work for the best staff at the SEC. I believe I did. Bill McLucas was the Enforcement director. Rick Ketchum started off as Market Regulation director. Bill Heyman was there at one point in time. Brandon Becker, Bob Colby, all those people were there. Barry Barbash was in Investment Management. Marianne Smythe was at the Division of Investment Management. Jim Doty, Sy Lorne

and Dick Walker were the general counsels. Jack Katz was the Secretary. Michael Mann was in charge of International Affairs. Ken Lehn and Susan Woodward were the chief economists. Mike Sutton and Lynn Turner were the chief accountants. I know I missed naming many others. It was just a terrific group of people. They all took a lot of time and trouble to teach me a number of things, I learned a great deal, and I was very proud of the work that they did.

WT: And did you personally have much contact with Congress? Of course, you'd come from there.

RR: Not really. I tried to remove myself from that. Since I came from the staff, I sort of tried to stay away from that. I viewed that as the province of the Chairman. You didn't at that point in time have the interaction, you didn't have the Congressional interest that you do today, you know, where they are much more focused on the SEC for various reasons, almost micromanaging them. You did not have that, and that was – at least for me, if someone reached out to me, I talked to them but I didn't initiate much. I kind of left that to both Chairman Breeden and Chairman Levitt.

WT: And then of course Breeden had come from George Bush's staff.

RR: He had come from the White House, yes.

WT: So, I know a lot of the media talk at the time was that there might be a somewhat closer relationship between the SEC and the White House than was maybe ordinarily the case on account of that connection. Was that your impression?

RR: It may have been. I don't know. I think that's true of any Chairman, frankly. I mean, I think Chairman Breeden was close to the White House. I mean, it's a mixed bag. Some folks in the White House didn't like what he was doing. I think Chairman Levitt was close to the White House, and I think by and large his relations were probably better with the White House than Chairman Breeden's were. Sometimes when you come from a space, folks have mixed emotions toward you. I know when I left as a Hill staffer, I'm sure there were some folks that didn't think as highly of me as others, and so that's one reason I tried to remove myself from that environment.

WT: Okay. So now let's go on to municipal securities. So, was it a foregone conclusion that you were going to make that an area of focus, since you'd had experience in it?

RR: I had experience in it. It wasn't a foregone conclusion. It's like anything else, you sort of grow into it. I think it was just because there was a vacuum as much as anything else. I did take the initiative to speak on the topic some. Nobody else did, and so usually when you're the only person to speak in an area you do get a lot of attention. And so the velocity increased when I was there, velocity accelerated, but it was not something I thought a lot about. I sort of fell into it, like anything else.

WT: Rule 15c2-12 had already been put in place.

RR: Yes, sir.

WT: But of course not the amendments of 1994, so could you tell me a little bit about the perception of the state of disclosure? I know that you made that the focus of a lot of it.

RR: Well, one of the individuals in Market Reg, Ed Pittman, was one of my counsels at first. He was one of the principal drafters of Rule 15c2-12, so I had a pretty good institutional knowledge there and it allowed me to build off of that. And it was very novel, I think very good, and, frankly, it's about the only jurisdiction that the SEC has even to this day, which is unfortunate. It's all predicated on antifraud and broker-dealer authority.

WT: And so what did you view as being kind of the main things that ought to have been done at that time?

RR: My impression was, with a little bit of practice in the area and the little bit I'd learned from it when I was working on the Hill and just talking to folks at the SEC – and definitely the Market Regulation staff at the time was of that view, that primary disclosure was okay to pretty good. Secondary market disclosure was very poor, and there certainly needed to be much more in terms of price transparency. And I think that's true, well, I think those are still weaker areas today, although there has been vast improvement in twenty years.

WT: Okay. I noticed in one of your speeches you were talking about basically tax-exempt money market funds and the possibility for secondary disclosure there. It's not something that I've seen anywhere else in my study of the topic. I'm wondering if you have any recollections.

RR: Not much. And I guess looking at it over time the focus is really on the taxable money market fund side today. They're the ones that had, I think, concerns during the economic crisis, and I think most are of the view that tax-exempt money market funds, relatively, they didn't have the same degree of problems. There were a couple of failures in the taxable area; that wasn't true in the tax-exempt area. But pricing in that area was certainly an issue that I had concerns with.

You know, it's odd, Will, I started speaking in the space and I enjoyed it, and I couldn't see the SEC really doing a lot from a rulemaking standpoint because we just didn't have much jurisdiction. We could bring a few enforcement cases, but even those were difficult. They had to be the right ones. And so, really, about the only way you could implement improvements that you thought the marketplace needed was to use the bully pulpit, and that's what I did. And sometimes I was more aggressive than others, and that was intentional, you know, to try to push the industry along. And by and large I was pretty proud of that, because my impression of the municipal securities industry today is not much different than it was then, although it's a lot more sophisticated and the space is much better from the investor protection standpoint than it was then, although, according

to Acting Chairman Walter's report, there are still some steps that could probably be taken.

And I think this is true for all the securities industry, but more so for the municipal securities industry. The professionals that practice in that area want to follow the rules. They know that they have to deal with government issuers on the one hand that are interested in following the rules for the most part, except for a few bad apples, and on the investment side, their investors are conservative, risk averse, they're not interested in a lot of funky stuff. I mean, you know, they want to get a yield, they want to have a good idea of what the actual credit is, and how much risk that they have, and things of that nature.

So the professionals are dictated to by their customers, both the issuers and the investors, and they're very conservative groups, and, as a result, the professionals in the municipal securities industry want to be compliant with the rules. They want to adopt best practices. And while they grumble about a lack of clarity on occasion, they want to follow what the SEC and the MSRB and FINRA ask them to do. And I think that's true throughout the securities industry, but much more so with the municipal securities industry. So it's very easy to go out and talk to those guys and say, "This is what I think your practice should be." And sometimes they'll look at you and say, "No, that's too far." You know, "That's not right. We're not doing that, but yeah, you make a good point here and we're going to try to do some things in this space."

WT: I mean, you make a good point in that the historical reputation of the industry that is very steady, very safe, and of course also –

RR: And, for the most part, regulatory compliant.

WT: Right, right, exactly. So, I mean, was there ever a sense that that reputation was in danger? What was the outside perception of this market, given its opacity?

RR: There's been a few instances. They're very concerned about their reputation. That is of the most concern to them, because they know they'll lose issuers and they'll lose investors. And, look, there have been some failures in the marketplace, probably a few more recently due to the economic crisis, but still very, very little as far as defaults, just a fraction of overall issuances, and – well, it's a very low single digit.

WT: And at that time of course, you are now pretty well removed from WPPSS. The WPPSS report was in '87.

RR: Yes. But that caused a stir. And that, even before I got to the – that really led to, yes, to some of the work that Market Reg did.

WT: Right. And then of course there was Orange County in 1994. Did that stir things up again? Had it settled down by that time?

RR: That was about, you know, that was sort of toward the end of my term then. Yes, it stirred things up, very much so. And that really was in Chairman Levitt's tenure, and Chairman Levitt had a great deal of experience in the municipal securities space.

WT: And I wanted to ask about this specifically.

RR: Both from his dad and from his brokerage firm. And so, when that happened, his interest in the space picked up considerably.

WT: What was it like to have Levitt come in with the weight of his authority behind this issue of municipal securities?

RR: Well, there was the wealth of his experience, the weight of his authority, a different management style, a different point in time of his career, and a different approach. Substantively he was not much different from Chairman Breeden, but the personal style was far different and much more careful and cautious. Chairman Levitt was always concerned about unintended consequences from a rulemaking perspective. When he was interested in an initiative, he bored into it and it was usually a pretty big initiative.

WT: Of course one of his focuses was pay-to-play, which we haven't talked about. Could you tell me a little bit about that?

RR: Again, that was Chairman Levitt's initiative, and just stretching back from when he was in the business decades and decades ago, it left a bad taste in his mouth. And when some practices came to light when he was at the agency, it was an area that he really went out on a limb with. He was very aggressive, and pushed hard for, and was successful with it, and the SEC withstood litigation on that issue, as you know. He just felt like the practices – my impression, and again I can't speak for Chairman Levitt – he felt the practices were reprehensible.

WT: All right. Did you personally have much contact with some of the various stakeholders in there, the MSRB, NABL, what was then the PSA?

RR: Yes. Oh yes, all of the folks. I worked very closely in particular with the MSRB. Kit Taylor was head of the MSRB at the time. We worked very closely with the private sector. I spent a lot of time with NABL, but really even more time with the industry professionals. It was the Public Securities Association and then it became The Bond Market Association, and I worked very closely with that group and I was very impressed with the broker-dealer side of the industry, and am to this day.

WT: Can you tell me anything specific about the process of getting the 15c2-12 amendments through? I know that that was fairly contentious.

RR: It was not that contentious, actually.

WT: No?

RR: Not really. The folks in Market Reg spent a lot of time with the Chairman's staff. I think they wanted some changes, but in terms of the general overall scope of the initiative, Chairman Breeden was very supportive.

WT: And people were satisfied at that time with it?

RR: No, they weren't satisfied with it. They're not satisfied with it today, but that's just the jurisdiction that you have. It's unfortunate that you have to promulgate your rules on the backs of the broker-dealers. You can't reach issuers, really. And I think everyone's frustrated by it – Chairman Breeden, Chairman Levitt, all of the Commissioners I worked with, everyone – but that's just the lay of the land.

WT: Okay. And then of course I just want to note in here that you went from being a Democratic to a Republican member yourself when Shelby changed, right?

RR: Yes, when Senator Shelby changed parties, I changed. It didn't really matter because there weren't five members of the Commission, so it didn't upset the balance. I was sort of toward the end of my tenure at that point. At heart, I'd worked for Senator Shelby for most of my life and so I just felt like that was the place for me to be. If it had been earlier in my career, I might not have been quite as outspoken about it. Or, if for whatever reason the SEC had been deadlocked politically, I may have had a different view. But it

just so happened that the stars were aligned, so that was a pretty easy path for me to follow.

WT: Okay. And so let me ask just to kind of cap off our –

RR: I'm not sure if any other Commissioner's done that or not.

WT: I can't think of any.

RR: There's an asterisk by my name. I'm not sure there is another asterisk associated with the political party of any other Commissioner.

WT: I'd have to go through. I can't think of any off the top of my head.

RR: It's not something that I necessarily wanted to define my Commission career with, but I do note that whenever I look at a list of Commissioners.

WT: So let me ask about, how much have you followed the municipal securities area since you've left?

RR: A good bit. I represent some folks in the space, and I always have, so I follow it closely. Now I'm really an advocate for folks, so I represent people.

WT: And what have been some of your impressions of the changes that have occurred over time? There's been the increasing availability of disclosure through electronic means.

RR: I think the progress has just been amazing. And many of the things that I talked about when I was at the SEC weren't really practical; they couldn't be done then because the technology didn't exist. And, again, you have to understand, you didn't have cell phones, you didn't have e-mail. It was just beginning to start, and we were still fighting over EDGAR, Will. Richard Breeden was pulling his hair out because of EDGAR at the time, and it's such a marvelous success today, but it wasn't at the time. There were a lot of bumps and bruises; it was a touchy period, operationally – not for me, but for the Chairman and the staff that were involved in operations and management.

And today, you know, there's been so many wonderful technological improvements, and the MSRB has taken advantage of those with EMMA. I think it's just terrific. There's been a great deal of progress made. I've been gone for twenty years, basically, and there's been so much progress over the last ten it's incredible, really positive, in my judgment.

WT: And then there are a lot of muni-related products. I mean, of course, there was the rise and fall of the auction rate securities, bond insurance –

RR: That was unfortunate. That was an eye-opener, and there was a lot of education, both in the private sector and at the SEC, yes, in that area.

WT: And in the wake of the financial crisis, of course there was the Dodd-Frank legislation. What are your impressions of that and what it did with the –

RR: I'm not a huge Dodd-Frank fan, to be candid about it. Some of that I guess is colored by the fact that I represent folks, and I'm a paid advocate, but my overall view – and I know the folks that worked on Dodd-Frank and I have a lot of respect for them. But, if you look at Sarbanes-Oxley as a result of the Internet bubble burst and some of the corporate failings of Enron and things of that nature, Sarbanes-Oxley was a bipartisan bill. It was put in place by a Republican administration. It's worked very well. I think folks are proud of it.

The jury is still out on Dodd-Frank. It was much bigger, much broader, maybe too broad, in my judgment. It covered too much space probably, looking at it – and I hope this is offered as constructive criticism. There wasn't enough, in my opinion, focus on what caused the crisis and what the solution should be. Instead, it was sort of an "oh, let's save the world" kind of solution, and in some cases I think they were solving a problem that didn't necessarily exist.

WT: Are there any particular provisions that you would pick out as being particularly worth looking at?

RR: I just think there's so many provisions that don't have much to do with the economic crisis, and I'll pick out some areas that I'm not involved in as an advocate, because those are a little easier, and I'll avoid the others because I think my objectivity could be questioned. But I think things like conflict minerals, I think things like the energy provisions – why is the SEC involved in those? You're using disclosure for social ends. I made some speeches about that in my career, and I think that's a mistake. Those provisions should probably – if they should have existed at all in Dodd-Frank, and I don't think they should have – they should have been directed to other agencies. So I'll pick on those since we're talking about the SEC here.

Listen, I'm a big believer in shareholder democracy, like Chairman Breeden and Chairman Levitt. I learned a lot from those individuals in that space, and I don't know why Dodd-Frank was in that area, in that space. I mean, maybe there's some connection with the economic crisis. Again, I'm not representing people in that space, so it's easy for me to talk about. And then there's a lot of areas that I am involved that I have some concerns with, but I think my objectivity could be questioned there.

WT: Okay. Of course, it's been a while since you practiced in Alabama, but I'm wondering if you had any particular insights on the Jefferson County situation, having been there.

RR: No. I knew some of the individuals involved, and knew some of them personally. It's very disturbing, unfortunate. You've seen it in other spaces, too, you know – you saw it in Detroit, you've seen it in other cities, and it just made me sad, just made me sad.

WT: Okay. So now is there anything else, coming back to your time at the SEC that we ought to cover that we haven't been through that's particularly important to you?

RR: I'm sure there is, but I can't think of it.

WT: All right. So let's talk then a little bit, just in general about what your post-SEC career – you know, you mentioned the sort of three stages of leaving the SEC.

RR: Yes, I mean, let's look at me, I worked in the consulting area for a brief period of time, then I was in a fairly large law firm for almost ten years, and then I now operate a fairly small consulting firm. I call it a consulting firm because we have lawyers and non-lawyers and it sort of vacillates to where the demand is. It's probably been in the past a little more SEC-focused, while more of a Congressional focus today. I have moved from representing folks in Dodd-Frank to working on things such as GSE reform now, because of the housing issue. So you move to where the demand is.

WT: Right. And what would you say has characterized your practice? I mean, of course you have your experience at the SEC and your previous experience in the securities area.

RR: You know, I don't think you can. It's just like my career in general, Will. I've been all over the place. It's been varied. I sort of move to where I think there are opportunities, or where there's a need to move, in terms of the SEC. If I find a vacuum where I think

there's a need for an advocate or representation, I will move into that area, much like I did at the SEC.

WT: And of course you have your experience at the SEC; you also have your experience in Congress. Have you been able to build off of that?

RR: I've tried. I was able to put my kids through school. How about that?

WT: Right, right. Okay. Well, I'm satisfied if you are, but if you have anything else you'd like to chat about.

RR: Sometimes, like I said, you have to refresh my recollection.

WT: Well, I've gone through all the questions that I've laid out beforehand, so if we have anything else we'll let you know. But that should do it for now.

RR: Very good. Thanks.

WT: Thanks very much.

[End]