Securities and Exchange Commission Historical Society Interview with Stanley Sporkin
Conducted on September 23, 2003 by Irving Pollack

IP: My name is Irving Pollack, and I'm interviewing Judge Stanley Sporkin for the SEC Historical Society in Washington, DC, at the offices of Judge Sporkin. Judge, will you tell us about your background, including your education and before you came to the SEC.

SS: I was born in Philadelphia, Pennsylvania, in 1932. I went through the public school system, and after I graduated from high school I attended Penn State University for four years. Upon graduation with an accounting degree, I practiced for about almost two years for a CPA firm called Lybrand Ross Brothers, in Montgomery County, which presently is Pricewaterhouse Coopers. I then took my CPA exam, passed it, and later became a certified public accountant. In the ensuing years I decided that I would go back to law school; in 1954 I entered Yale Law School. I graduated in 1957.

Upon my graduation from Yale Law School I became a member of both the Pennsylvania and Delaware Bars. I clerked for a federal district court judge in Wilmington, Delaware, Judge Caleb and Wright. I then, for a short period of time, clerked for another judge there, Judge Paul Leahy. Upon finishing my three-year clerkship, I came to Washington and became associated with a Washington law firm, then known as Haley, Wallenberg and Bader. I was there for one year. I then left to go to the SEC in 1961 to become part of the Special Study of Securities Markets.

IP: Tell us a little bit about your family who I understand lived in Philadelphia.

SS: Right. I was one of four children. There were three brothers and a sister. My father was in Philadelphia politics for many years as a Republican. He held the position of assistant district attorney for twenty-

some years. He then became a judge in the Philadelphia Common Pleas Court and was a judge for maybe twenty-five to thirty years. My mother was a housewife raising her children. That really was my background. I'm the only lawyer in the family that followed in my father's footsteps.

IP: What drove you to go to the SEC for a job?

SS: Well, coming out of law school, I very much enjoyed the judicial clerkship. It was almost like a halfway house and that's what I used to teach my own law clerks. It was between the academic, the theoretical, and the practice, and you got a little bit of both in the clerkship. I enjoyed it immensely and that's why I stayed three years. I then went into private practice and it was a rude awakening. There was very little theoretical; it was very much practical. I was the low person on the totem pole in this small law firm and I didn't feel that I was doing what I thought a lawyer should be doing. I wanted a challenge and I wanted to get into government.

I explored the possibility of going into the Internal Revenue Service in view of my CPA background and my law degree. However, the problem with going to the IRS was that I had to go to a city like Cleveland or Boston or any city other than the city where you grew up. So I couldn't get a job in Philadelphia and I had recently married at that time and we both had families in Philadelphia and we didn't want to go too far from our support people. And so I decided that I would have to look for other opportunities. And this occurred when I learned that the SEC was recruiting for this monumental study that had been ordered by Congress. This was as a result of the scandals at the time in Wall Street. Congress said that there should be a study of the securities markets. I don't think there has ever been anything like it since that study. It was a fantastic study. I went to the SEC, they hired me, and I had a wonderful time, I guess, it was two years on the staff.

IP: Who hired you?

SS: My recollection, I think I was interviewed by two people. One was Gene Rotberg and the other was Freddie Moss, who then brought me in to see Ralph Saul. And I don't think that Milton Cohen was on the staff at that time. And they hired me. I forget how much time it took them to make up their mind but it was not too long. And Art Fleischer might have had a hand in it. He was the Chairman's assistant.

IP: Were you assigned to any particular part of the Special Study?

SS: Yes. The assignment I received was the self-regulatory organizations, particularly the NASD. My boss on that was Marty Moskowitz and the two of us did the study of the NASD.

IP: Had you had any previous exposure to the securities laws during your clerkship or your private practice?

SS: Yes I did. Well, obviously the fact that my background was in accounting and that I took a lot of accounting courses in order to qualify to take my CPA exam. So I knew corporate structure from that end of it. During my clerkship we had a very important case involving a mutual fund called the Wellington Fund. That case put into issue who owned the name Wellington. Wellington—the management company—had, as its flagship investment fund, the Wellington Fund, which was a diversified balanced fund. Management wanted to bring out another fund which would be an equity fund that they would call the Wellington Equity Fund.

Shareholders of the balanced fund brought a lawsuit in Delaware claiming that the name Wellington Fund, in the mutual fund area, was owned by the Wellington Fund and that, therefore, the management company did not have the right to bring out another fund and name it Wellington. It was a very interesting case. The argument came down to whether the court was going to buy the management company's theory that bringing out a fund was like introducing a product. And they used the example of a box of Kleenex. Management's position was it could

bring out as many different companies as it wanted, as it was the driving force.

The judge took the position that so long as the fund itself was using the corporate form, it was entitled to all the protections of the corporate form, which included the ownership of the name. He therefore ruled against the management company and said that the original fund was entitled to the exclusive use of the name Wellington. And I think that was a very important case because it did establish the concept that a fund was separate and apart from its managers, it had a separate existence, and it was entitled to all the protections of the law.

IP: Did the SEC submit any views in connection with this?

SS: I do not recall. My recollection, they probably did not.

IP: Getting back now to the Special Study. Can you just give us some of your recollections as to your field that you were inquiring into and more generally, as to the work of the Special Study that you're familiar with?

SS: Well, yes. We were examining the whole concept of self-regulation and you will notice from the study—and I have not reviewed it in a long time—that self-regulation was a—in its embryonic stage—presented a lot of problems. We came out with numerous recommendations. The one that sort of bothered me more than anything else was the concept that an inert member would be tried by a peer group and that it would be done in the afternoon and not very much would happen. And I came out with a concept called "cocktail hour" justice.

And I think from the study that a lot of changes came about. NASD adopted the concept of having one of the three member panel as a professional hearing officer. And that there were a number of different recommendations to shore up the NASD. And all to the good. But it was a very elaborate report. The whole Special Study was a fantastic experience. It brought together a number of people who were just superb

individuals. And they later on went on to become leaders in the securities area.

IP: Can you tell us something about the working schedule and the impact it might have had upon your family?

SS: At that time my wife—I was married—I had a daughter who was born while I was in law school and I guess in '61 or '62, my first son was born. We worked hard. But my wife, now of almost fifty years, understood that; like all other good wives she put up with these long hours. But she understood that to get ahead you have to work hard.

IP: After you left the Special Study, you joined what part of the Commission?

SS: Well I was always enamored with trial law and I also loved what the SEC did. And this was a natural blend of financial matters—because of my CPA background—and my desire of trying to get into some kind of a litigation field. And so what happened was when the Special Study disbanded, because of the recommendations, there was an explosion at the SEC in which they hired a number of additional people. And the SEC looked through the people in the study and evaluated us and gave some of us offers. I was given an offer. I wanted to work with a fellow named Pollack who ran the enforcement program and was, even at that time, a legend. Everybody was saying, "That's the fellow you've got to work with."

And so, that's where I went to work, in the division, I guess it was called Trading and Exchanges at that time. And it was a very small unit, extremely small. And Mr. Pollack determined that what he was going to do was to set up three branches. Up to that time very little enforcement work was done in the home office. Most of it was done in the regional offices. But it was determined that we had to have some kind of a capacity in the home office to be able to take care of the cases that the Commission itself wanted to prioritize so that we didn't have to depend on the regional offices. And so the Division set up these three

enforcement branches. I was made a branch chief right off the bat to run one of these branches. It was a very small group, maybe five lawyers. Later on we were given the services of an accountant.

IP: That was maybe in 1963 roughly?

SS: Yes it would have been in '63.

IP: And do you recall any early cases you worked on?

SS: Oh gee. There were a number of cases that we had. The first case that we had was a case called Fabricant Securities. That was just a boiler room and Irv Pollack indicated it was a boiler room and that he didn't understand how a boiler room could stay in business for as long as this company stayed in business. And I remember that we went and put them out of business.

The big case that I had right then and there was a case involving a group of promoters who had brought out three different companies. One was General Development. The other was Seven Arts Production, and the third was International Controls. And the common ingredient in these three companies was a group of promoters headed by a fellow named Lew Chessler and Carroll Rosenbloom and Morris Max Schweible. Although these were companies of some substance, there was a lot of activity in the securities which caused the stock price to go up. And a lot of money was being made in the buying and selling of the shares.

So we then went after these promoters of these companies. We, I guess, successfully brought cases. The ringleader was a fellow named Lew Chessler and we finally were able to take action against him. They were very interesting cases. What impressed me most is they had great lawyers representing them. People who were honorable and decent and people who wanted to do the right thing. They had Louis Loss, David Ponross. But we were able to prevail in these cases.

IP: Do you recall who worked with you, if anyone, on these cases?

SS: My recollection was Irwin Barowski—who I had met in the Fabricant case—he worked for the state of New York. He was the Elliot Spitzer before Elliot Spitzer. And he was tough and he did a good job for the New York attorney general. And they had brought a case against Fabricant at the same time we were bringing a case. And I said after the case was over that I liked the way he did business and I asked him whether he wanted to come and work for the SEC in Washington. He said he would and he, in effect, came down to work with us. Steve Paradise worked with us. Ira Pierce worked. We had a core group at the SEC. Jagermann later would help us; he was a person who always fought for his own.

IP: What was the next important step in your career?

SS: Tom Rae was a very important supervisor. Rae was the associate director who was probably one of the finest administrative attorneys I have ever been with. He really had the system working. I learned a lot from him about how to manage. He was a great manager. And what happened was we started to expand. From branch chief I became an assistant director. I became an assistant director and we then got involved in the famous international controls case involving a fellow named Robert Vesco. Also involved in that case was Bernie Cornfield. We started to pursue them and that became almost a career project. As a matter of fact, Robert Vesco is still on the loose. He fled to Cuba and he is still not responding to the calls from the Department of Justice to come back and be prosecuted in the United States.

IP: Do you recall any significant programs that were being developed in your work at this period time?

SS: Well it was a new venture, the business of a home office enforcement group. We had to define ourselves and had to differentiate ourselves from the work of the regional offices. And so we tried to define what cases we in the home office would handle, what cases could be handled in the regional office and we came up with a—not a very precise division. What we said, "If there was a matter that was multi-

regional, then the home office would take it. If it was part of an enforcement program that had been developed at the home office, we would take, such as insider trading and other kinds of problem areas that are coming to our attention."

The thing that was so amazing about the enforcement program is that we all had the philosophy—and I'm sure Irv and I discussed it, in which what we were always attempting to do is to put ourselves out of business. Of course we realized that would never happen. We said that we would use enforcement to disclose a problem in the system, and then what we would do is we would try to get some kind of a regulatory program to fix that problem on a permanent basis. Now I don't know if that philosophy still is in existence at the SEC, but it was through that policy that a good number of these important investment protection rules were developed.

For example, we found in takeover cases, that you had situations where there was a lack of transparency. We remedied that by recommending to the Commission that the group behind the takeover must identify itself. We also found in situations that companies in making tender offers that certain shareholders would be preferred over others. Again we saw that as a problem and helped develop the regulation that requires everybody to get the same price in a tender offer.

I'll give you another rule that we were responsible for. People don't understand it, but I think 15(c)(2)(11) was a rule that came right out of our shop. That rule was based upon the premise that a trader had to know the security that the trader was buying and selling. Some over-the-counter securities were selling for as high as $100 a share and nobody knew anything about the company. And so we made it that traders and securities had to know the merchandise and that's what 15(c)(2)(11) was. And all these came out of the enforcement work and came out of the philosophy that you had to have good regulations and that you couldn't do it all by enforcement and that the enforcement would expose what regulations were necessary.

IP: So you were interactive with the regulatory side of the division in accomplishing these goals.

SS: Yes and this was obviously that this was, right from the top, I think this is something that Mr. Pollack and I would espouse, and it was something that made a lot of sense. The beauty of working in that time is that this fellow was the greatest boss that anybody could ever have. First of all, philosophically we were in sync. Secondly, he allowed his people to work under him to develop and to go as far as they could. He was strictly a person who insisted that the division be a meritocracy.

As I would go up the ladder, I started to develop another strategy. Always something that intrigued me was the concept of develop various enforcement strategy. What kind of strategy could we use to make life easier, to help the SEC in policing the markets. We didn't have enough people. We knew we would always be strapped for personnel. And so we had to develop a strategy that would help us stretch our enforcement dollar as far as it would go. And in this regard we developed the so-called access strategy which to my delight has become one of the underpinnings of Sarbanes-Oxley. Of course, they now call it the gatekeeper strategy.

The access strategy was developed on the concept that for a promotion to be effective required the assistance or help of a professional. You had to have access to the marketplace, otherwise the promotion would fail. And access to the marketplace was obtained through a number of different professionals. You had to have a good lawyer, an accountant, a broker-dealer, maybe a banker. The theory was that we didn't have the resources to police every crooked promoter. There were too many out there. But we could narrow down our looking to a very small group of professionals who provide access to the marketplace.

Almost every promotion needs an accountant. In those days, there were what's known as the "Big Eight" accounting firms. They commanded maybe 95 percent of the public company business. So it became much easier to look at eight firms than to look at thousands of promotions.

Similarly in the broker dealer area, you could narrow down the number of broker dealers given access to the marketplace. In the legal area again, you could narrow down the focus. What we did is when we brought a case we would grade the professional participants and if they participated in the fraud, we would then bring action against the access givers on the theory that they very much wanted to maintain their licenses to do business and that, therefore, they would make sure in the future that they would not do it again.

And so you're going to see at that point the strategy dictated that we would bring cases against accounting firms, we would bring against lawyer firms, we would bring cases against major broker dealers. It's almost a repeat of what's happening today. Now in response to this access theory, when the access givers learned what was happening they became defensive and they took certain steps. And what did they do? Well in the broker-dealer community, they set up the concept of compliance and each of the major broker-dealers went out and got a compliance officer. Now the compliance officer's role and responsibilities were to set up processes and procedures in their own firms to prevent their firms from violating the law.

So by developing this strategy we were then able to increase the budget of the SEC manyfold because, in effect, you had almost an enforcement lawyer in every one of these major brokerage firms, which were, in effect, an adjunct to our own people out there working. And it worked fairly well, not perfect, but remember this was done without any increase in the SEC's budget. And the strategy was very, very important. And I'm pleased to see that it has been validated by Sarbanes-Oxley, even though it has been given another name. But there's no question that the firms themselves in the broker dealer field have got to be the first responders and have to have in place a compliance program.

IP: In dealing with the general corporate community, did you have similar strategies with respect to the remedies that you sought in your cases that you brought forward?

SS: Of course, Irv Pollack came up with tremendous ideas in the question of use of equitable remedies. The whole group of remedies that's now part of a Sarbanes-Oxley law was really started in these cases. Remember, the one good thing about not having laws that were so definitive as they are now that we had a lot of room to be able to experiment with different approaches.

We also had a culture at the SEC that would permit people to do things that would be unbelievable in this day and age. For example—I'd like to give as an example the Foreign Corrupt Practices Act—and again this is not in any way to, you know, extol my own abilities or anything like that, but that whole law started on the basis of my going home in the evening in the early '70s and watching the Watergate hearings. And watching at the end of the hearings where certain companies would testify as to making political contributions to Nixon.

And what bothered me by watching that was that I didn't understand how these companies were making these payments even though they knew they were illegal because it has always been illegal for companies to make any direct campaign contributions to a person running for political office, as opposed to doing it through PACS and soft money. So after watching these hearings I remember coming in one day and asking Bob Ryan of the staff, to go out and find out from Gulf Oil how Gulf Oil made these payments and how did they book an illegal payment. And he came back within a day and had the whole case. They had set up two phony subsidiaries they called Bahama x and Bahama y. They put five million dollars into each one of them and took the money back to the companies' offices and put it in the safe of the CEO, and that's where the payments came from. And the reason they did it that way is that they capitalized the amount of the slush fund because they didn't want to violate the Internal Revenue laws which would have happened if they would have expensed those payments.

And so when we got on that area, we started then to look case upon case upon case. And before we knew it we had developed a horrendous

situation where we found that out of those slush funds that were being used to give money to political parties, we went into them and we found that those monies were also being used for other and various activities, such as bribing officials in foreign countries to get business. We found that they were being used to bribe even domestic officials. We found that they were being used to give undisclosed perks to officers and directors. And so before we knew what we had, we had brought about sixty-seven cases against major corporations.

Now at that time there was a wonderful Senator, William Proxmire, who was the chairman of the Senate Banking Committee. Senator Proxmire very much appreciated what the SEC had done. His chief of staff called me one day to find out what kind of legislation was necessary. I advised the Senator that all that was really necessary was a law that required all corporations to maintain accurate books and records, basically because not one of these companies booked these bribes and these other illegal payments correctly. And I said, "There is no provision that requires a company to keep accurate books and records." Senator Proxmire bought that and passed legislation as fast as I can ever imagine that would require companies to keep accurate books and records. Sandy Burton at the time said that we need an internal controls provision along with the books and records requirement, which really predates Sarbanes-Oxley. People got to understand there is already a provision that requires companies to have proper internal controls.

And then Proxmire himself put in the anti-bribery provisions to the legislation. And that became the Foreign Corrupt Practices Act, which is a very important piece of legislation, very important piece in the field of corporate governance. It was the really one of the first entries of the SEC into the field of corporate governance. And that was just absolutely tremendous the way that worked, but it shows you how the SEC was able to make such progress. As a side note, it's interesting that after we brought so many cases the Commission got a little bit upset. And I remember Alan Levenson was a partner in this thing and helped tremendously—and he was the Division Director of Corporation Finance

at that time. He and I were attending a conference in San Antonio, Texas.

We got a call from the then chairman, Ray Garrett, to come back to Washington immediately. And Ray said to us, "We've got to get a means for fixing this problem. We can't be suing every company." And it was at the point where Alan and I came up with this so-called volunteer program. We allowed companies to come in and make disclosures concerning their sensitive payments with an undertaking that they would do an investigation with an undertaking that they would make a disclosure in their filings. And this so-called volunteer program went extremely well and my recollection that is over 650 companies made voluntary disclosures of their sensitive payments.

IP: Now with the increase in the number of cases you were bringing, did you find it necessary to reorganize the way in which cases were tried as the same issues yesterday as...

SS: Yes. We had to do a number of things. Again, the beauty of the system was that, with Pollack running it, we were very creative. And of course I followed in his footsteps and learned a lot from him. And we had to do certain things. We had to fix certain problems. One was the problem that you alluded to was we were starting to try more cases and the way we used to do it was that a staff attorney who developed a case would then try it. Well the problem was that that staff attorney did not have a whole lot of trial experience and he found himself or herself up against a lawyer or lawyers of the likes of Edward Bennett Williams, Milton Gould, the real fantastic trial lawyers and we were getting beat. Not because we didn't have the good facts, but because these lawyers were so competent and so highly regarded by the courts.

And so I came up with the idea that we had to develop a trial unit. We had to bring in experienced trial lawyers. I discussed this with Pollack and Irv thought, "What? How are we going to get these experienced trial lawyers? You know, it's going to be difficult." But he said, "Let's do it. Let's see what we can do." And, of course, we did it. I remember we had

one fellow on our staff who was an investigator but tried a couple of cases and his name was Bob LaPrade. And then we worked from there.

We started out by... we started flying people. LaPrade, then we got Dick Jaeger. He was a U.S. attorney, he tried criminal cases. He liked it, he decided to come east. We then picked up Ben Greenspoon, who was a neighbor of mine, who was leaving the profession. He was a great trial lawyer but didn't know anything about securities. He came on. Ted Sonde came down from the General Counsel's office. We then had Bob Romano and Frank Razzano. I got a call one day from Goldstein, who was the U.S. Attorney—Frank Goldstein was the U.S. Attorney—in New Jersey. He was leaving office and he asked whether I could take on two of his great assistants. And they were Romano and Razzano. They turned out to be extremely capable lawyers and we developed a unit that was, I believe, second to none in government.

And I would start getting the feedback from the lawyers on the other side that would tell me that we really putting great people into the courtroom. And that has survived until this day. There was a lot of consternation among the regular staff who thought that they would be hurt by not being able to go into court, but the way we solved that was that we made them second chairs in these cases.

And we did another thing with the regional offices. That way that we originally set it up was that recommendations from the regional offices would come into our office and they would be assigned to our staff attorneys, and then they'd go to the Commission. The problem was that they would take a back seat to the work that these attorneys were doing. Irv and I decided that what we would do was to try to set up a separate unit. We got people who were interested, didn't want to travel, and they serviced the regional offices on a full-time basis. That worked extremely well.

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SS: So we developed this group that did the regional office servicing, and this was a very, very important part of our relationship with the regions. They saw that they were getting fantastic service and it worked well. One of the things that we tried to do was also fit the person to the job. And not everybody was a rocket scientist and therefore we had people that could do jobs well. For example, George Fitzsimmons, we picked out of the insurance industry. What he did was examine. When he came for a job at the SEC, we found out his background was examining deeds and real estate papers.

And when we went into hire him, I remember a guy in the personnel office that said, "Why do we want to hire this guy? He doesn't look like he has much to him." And I said, "We're not hiring him to go out and try cases, we're going to hire him to sit at his desk and examine papers from the regions." We finally convinced him that that was the right way to do it and George Fitzsimmons, turned out to be just absolutely fantastic. He later became the secretary of the Commission. Similar with Jim Foster. He worked out so well that he got promoted to be the head of personnel. And so that's what happened to all our good people that we brought in. They were taken over by other people.

But we had a group of people—and I think I've got to spend a minute or two to tell you how great these people were and they've now proven it by doing so well in the private sector. There was Art Mathews, who was a fantastic lawyer and he obviously did extremely well, he was great at the Commission, he was great in private practice. Chuck Marceux was another fantastic, as was Larry Williams. So we had a core group when I took over. And later on we had another core group and those included such people as Walter Timmeny, Ted Levine, Ed Herliny, Dave Doherty... this was another fantastic group.

And then coming behind that was John Hartigan, and Gary Lynch, and William McLucas, and you talk about a bench strength. We had such a strong bench that there was nothing like it in government. These were

just super. Of course, I mentioned Irwin Barowski before. But the bench was absolutely fantastic. Rick Sharp, Sandy Winer, Rich Morvillo, these are all now leaders of the Bar out there and doing extremely well. We worked closely with our New York counterparts, as you're aware of Marvin Jacobs, Kevin Duffy, and Steve Hammerman. So we had a very, very strong group of people.

The thing that I think happened though is that at the end, Pollack left to go on the Commission about '74. And then he left the Commission in maybe '80. And then at that point, having lost him, I decided that I didn't know what I was going to be doing but we had a new chairman, John Shad came on. I was debating what I wanted to do at that time. And although I was going to stay, then I got a call from William Casey to become general counsel of the CIA. Casey—what people didn't understand—was a fantastic chairman of the SEC. He was only there a short time, but he taught so many of us so much. The most important thing that he taught me how important it was to make a decision. And his point was that not making a decision is a decision. But it's one that you don't have control over.

But he was decisive, he wanted to make decisions, he was a risk taker. I remember many instances the Enforcement Division would be often opposed by the General Counsel's office, which was always sort of a—and I don't want to say it in a negative way—but in as much as a positive way that I can, but they were always making sure we weren't pushing the laws to the point where we get hurt. So therefore, they were always throwing ice to things... throwing roadblocks in what we wanted to do. And there were many times we would go up before the Casey Commission in which we would recommend one thing and the General Counsel would say, "No."

And Casey would almost invariably side with us. Usually we had Alan Levenson on our side. But Casey was willing to take that risk. And it really, in many instances, it paid off. For example, in one case that we brought against a steel company. And we found that Victor Posner was

head of that steel company—we found out they were dipping into the employees' pension plans. And without anybody telling, anybody complaining, we went and sued the steel company—I think it was Phoenix Steel Company. But in any event, we got the money back to the workers of the steel company.

IP: Are there any other cases?

SS: I just want to mention... and what happened then was that Casey was the chairman. I remember I got a call one day from Casey saying, "You got me in trouble." I said, "How did I get you in trouble?" He said, "I just got a visit from I.W. Abel"—who was the head of the steel workers' union. He said that Abel told him that he didn't know what the game of the administration—I guess it was the Nixon administration—was. He didn't know what they were trying to do. He says in trying to curry favor with the workers, but if that was their goal, he didn't care because he was very pleased that we had brought a case to protect his steel workers. And Casey was obviously being facetious with me, and was, in effect, congratulating me on a job well done and he said that that's the right thing to do and we did the right thing. So that's the kind of thing. What were you going to ask me?

IP: Were there any other Commissioners and Chairmen that stand out in your mind.

SS: Of course Irv Pollack was the leading person, as far as I'm concerned. But we had Al Sommer, we had Frank Wheat, we had Evans—John Evans. We had Ray Garrett, we had Phil Loomis, Dick Smith, and Manny Cohen. We had Barney Woodside. Senator Freer was a lovely person out of the state of Delaware. And this was a great Commission. Really you can't beat these people. There was Jim Needham. Judge Budge was another person who lived up to the office and made sure that we were doing what we were supposed to. But these were... to go to those Commission meetings when we had a Pollack and a Sommer and a Wheat and a Loomis and a Garrett, it was like getting a course in the finest law school in the country in securities laws.

IP: You became Director of the Enforcement Division in '72.

SS: That would have been the time...

IP: '74, in '74.

SS: In '74 I became the director.

IP: The division was formed in '72.

SS: Yes, I became the director in '74. I was deputy director in '72.

IP: Deputy director, and then you left in 1980...

SS: '81.

IP: '81 and you became associate director of the Division of Trading and Exchanges or Trading and Markets—as it may have been known earlier—in 1968.

SS: I think that's right.

IP: Would you like to make some closing observations overall on the Commission and the present situation?

SS: Yes. The problem with the Commission over the years is the fact that it has deviated from its core purpose and that's one of the reasons we're having the problems that we're having. The core purpose for protecting investors has got to be paramount. But when Irv Pollack left in '80 and I left in '81, the Commission then went on a laissez-faire kind of basis. It put out releases saying we won't sue lawyers anymore in adjunctive courts and did a lot of other things. And of course, the message that went out to the investment community was, okay we can now start up and do things in any way we want to. And then, of course, a new scandal comes and it gets tightened. And then it gets loosened and tightened.

If there's anything we've learned from the current scandal, the SEC must rededicate itself to realizing that it's got to continue with a strong enforcement and regulatory program. Once it now eases up again, I estimate it's going to cause the same problems that have happened before. The SEC should not be a political institution. It should not be an institution that changes with the political winds. It's got to be an institution that says, "Okay this is what we're for, the soundness of the system and we must preserve that." Unless it rededicates itself to that basic philosophy, these things will occur again.

And when we went back to our years with the concept of the gatekeeper and strongly went there and then the next Commission comes in and says, "Wait a second a gatekeepers... corporations, or companies don't violate the law, the individuals... we'll go solely after individuals." It was... the whole ball game was over. And that's, I think—in large measure—why you're having some of the things. Because if the SEC were calling the game tough and close—it's almost in a football game—as soon as you stop calling the penalties, you're going to see all kinds of things happening. And I think that's what the SEC has got to do, it's got to maintain a very strict enforcement stance. I think if that happens, I don't think you're going to have these periods where the system gets shocked with these tremendous revelations of dishonesty.

IP: Thank you very much Judge Sporkin.

[End of Interview]