

ICI VIEWPOINTS

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SEC Is Integrating Itself into the Global Financial System, Chairman White Tells ICI Conference

In a speech at ICI's General Membership Meeting today, Securities and Exchange Commission (SEC) Chairman Mary Jo White highlighted the myriad ways that the SEC, in light of an increasingly global regulatory environment, pursues its mission to protect U.S. investors and markets and to promote capital formation.

The new SEC chairman took office 18 days ago, following Senate confirmation, following her service as the U.S. Attorney for the Southern District of New York for 14 years and as a partner at the law firm of Debevoise and Plimpton. She described how, in her short tenure as SEC Chairman, she already has had interactions with foreign regulators and has been addressing international matters on multiple other fronts.

In a few remarks on the fund industry, White noted that of the roughly \$27 trillion in mutual funds worldwide, nearly \$13 trillion is in U.S. mutual funds. She also recognized money market funds' important role for investors and the U.S. economy. The main goal of the SEC in pursuing additional regulation of these funds, White said, is to prevent "runs in which retail investors, especially, are likely to suffer losses." She stressed that the SEC welcomes input from the industry and other market participants but declined to discuss the specifics of the SEC's ongoing work on its forthcoming proposals.

White detailed the SEC's efforts regarding international cooperation and harmonization, including initiatives on international swaps rules, international accounting standards, and cooperation with foreign regulators in enforcement, examinations, and technical assistance under 94 bilateral and multilateral agreements. Though the SEC's regulatory regime is robust, she stressed, "We do realize we are not the only game in town."

"What happens overseas matters, and matters more every day," White said. Just two days ago, the SEC proposed rules to reconcile cross-border securities swaps transactions. The proposal incorporates "substituted compliance" to reconcile conflicting or overlapping rules, an approach that—from the U.S. perspective—allows a foreign regulated entity's home-country compliance to substitute for SEC compliance, as long as there is a similar regulatory outcome in the home country. She added that in seemingly domestic regulatory efforts, a strictly domestic approach is "no longer acceptable or effective." The SEC is weaving international concerns into such regulation.

In response to a question asked by ICI President and CEO Paul Schott Stevens, White

affirmed the SEC's intention to study issues of concern where empirical data will have a bearing on the regulatory process, similar to an SEC staff report on money market funds issued a couple of months ago. In response to another question from Stevens, she said that though regulation can be helpful in addressing technological failures or other events or practices that cause market distortions, complete protection probably is not possible. An organization cannot stop "every hack" into its systems—though an issuer, for example, can safeguard its operations and information by using state-of-the-art systems, reviewing them, and correcting misinformation about the issuer in the market.

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