

Testimony of Mary Jo White

Nominee for Chair of the U.S. Securities and Exchange Commission

**Before the United States Senate Committee on
Banking, Housing, and Urban Affairs**

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Chairman Johnson, Ranking Member Crapo, and Members of the Committee:

It is my privilege to appear before you today as President Obama's nominee to be the thirty-first Chair of the Securities and Exchange Commission.

There is no higher calling than public service. As the United States Attorney for the Southern District of New York for almost nine years, I worked very hard on behalf of the American people investigating, prosecuting, and punishing those who committed crimes. From white collar criminals to terrorists – regardless of the complexity of the case or the identity of the defendant – we always strove to do the right thing and to vigorously enforce the law. Today, I am honored by the prospect of potentially returning to public service as the Chair of the SEC to help carry out its essential mission.

While I served as United States Attorney, our office worked closely with the SEC investigating and prosecuting violations of the federal securities laws by both companies and individuals. Through that experience, I became a strong admirer of the expertise, independence, and commitment of the Commission and its staff. I fully appreciate the critical role the SEC plays as the primary regulator of our capital markets and as a strong

advocate on behalf of investors. Today, in the wake of the financial crisis and in the midst of implementing the substantial legislative mandates of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and the Jumpstart Our Business Startups Act (JOBS Act), the SEC's importance and scope of responsibilities are greater than ever.

If confirmed, I will vigorously embrace and carry out the SEC's mission to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. The SEC's mission has a tri-partite mandate, but the component parts should not be viewed as in conflict with each other. It is the responsibility of the Chair and the Commission to take the long-term view, balance the objectives when necessary, and seek to fulfill all parts of its critical mission. Then, our markets can thrive and investors will be protected and benefit.

As was true when Chairman Schapiro was first before this Committee in 2009, this too is a crucial time for the SEC. Although the worst of the recent financial crisis may be behind us, none of us can be complacent – least of all the SEC, which has faced a number of its own challenges. Under the leadership of Chairman Schapiro and Chairman Walter, the SEC has made significant strides to strengthen its examination and enforcement functions, improve its capacity to assess risks, and enhance its technology. Our markets, however, are continuously evolving, and the technology of today is most certainly not the technology of tomorrow. Fast-paced and constantly changing markets

require constant monitoring and analysis, and when issues are identified, the investing public deserves appropriate and timely regulatory and enforcement responses.

I am acutely aware that the position of Chair of the SEC carries with it heavy responsibilities and many challenges. But I commit to this Committee and the American public that, if confirmed, I will work tirelessly and do everything in my power to effectively lead the SEC in fulfilling its mission. Let me very briefly highlight a few early priorities were I to be confirmed.

First, I would work with the staff and my fellow Commissioners to finish, in as timely and smart a way as possible, the rulemaking mandates contained in the Dodd-Frank Act and JOBS Act. The SEC needs to get the rules right, but it also needs to get them done. To complete these legislative mandates expeditiously must be an immediate imperative for the SEC.

With respect to rulemaking, rigorous economic analysis is important and should inform and guide the decisions that are made. Although challenging – particularly in the quantification of benefits – in my view, the SEC should seek to assess, from the outset, the economic impacts of its contemplated rulemaking. Such transparent and robust analysis, including consideration of the costs and benefits, will help ensure that effective and optimal solutions are achieved without unnecessary burdens or competitive harm. If confirmed, I would continue the efforts of the Commission to ensure that the SEC performs robust analysis in connection with its rules and in a manner that does not

undermine the SEC's ability to carry out its mandate to protect investors and our capital markets.

Second, if confirmed, it will be a high priority throughout my tenure to further strengthen the enforcement function of the SEC – it must be fair, but it also must be bold and unrelenting. Investors and all market participants need to know that the playing field of our markets is level and that all wrongdoers – individual and institutional, of whatever position or size – will be aggressively and successfully pursued by the SEC. Strong enforcement is necessary for investor confidence and is essential to the integrity of our financial markets. Proceeding aggressively against wrongdoers is not only the right thing to do, but it also will serve to deter the sharp and unlawful practices of others who must be made to think twice – and stop in their tracks – rather than risk discovery, pursuit, and punishment by the SEC.

Third, the SEC needs to be in a position to fully understand all aspects of today's high-speed, high-tech, and dispersed marketplace so that it can be wisely and optimally regulated, which means without undue cost and without undermining its vitality. High frequency trading, complex trading algorithms, dark pools, and intricate new order types raise many questions and concerns. Are they problematic for retail and non-institutional investors? Do they result in unnecessary volatility, or create an uneven playing field? Or do these modern-day features bring benefits such as efficiency, price reduction, and healthy competition to our markets? Do they do all of these things? The experts and studies to date have not been consistent or definitive in their observations and findings

about whether and to what extent harm is caused by the current market structure and practices. There must be a sense of urgency brought to addressing these issues to understand their impact on investors and the quality of our markets so that the appropriate regulatory responses can be made. If confirmed, I will work not only to ensure that the SEC has the cutting-edge technology and expertise necessary to enable it to keep pace with the markets and its responsibilities to monitor, regulate, and enforce the securities laws, but also to see around the corner and anticipate issues.

There are, of course, many other important areas within the jurisdiction of the Commission: from money market funds to private fund advisers, from credit rating agencies to clearing agencies, from the appropriate standards and regulations governing the conduct of broker-dealers and investment advisers when providing investment advice to retail customers to how to make public issuer disclosures more meaningful and understandable to investors, to name just a few. If confirmed, I would focus on these and the many other challenges facing the SEC.

In conclusion, it would be my privilege and honor to work with the men and women of the Commission and this Committee to help carry out the SEC's mission. Thank you for considering me to serve in this capacity and for the opportunity to appear before you today. I would be happy to answer your questions.