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Mary Schapiro, CEO of FINRA, discusses Financial Markets Regulation at Georgetown

On Wednesday, September 26th, Mary Schapiro, the CEO of the Financial Industry Regulatory Authority (FINRA) spoke at the latest in the Center for Business and Public Policy Distinguished Speaker Series. The event, attended by some fifty academics, students, policymakers, businesspeople and press was held in Georgetown's historic Riggs Library. The evening opened with comments from Professor John Mayo, who heads the Center. Prof. Mayo spoke about the merger of the regulatory operations of the NYSE and the NASD which gave rise to FINRA, and recent trends that have emerged in the regulatory environment.

Mary Schapiro then took center stage to speak in more detail about these trends, and of her long tenure at NASD (National Association of

Securities Dealers) and now FINRA. A law graduate of George Washington University, Ms. Schapiro started her career as a staff attorney at the Commodity Futures Trading Commission, a "tiny, largely unknown federal agency responsible for regulating the silver and other commodity markets" in her words, in 1980. She returned 14 years later to become its chairman, having been appointed by President Bill Clinton. She added, "Along the way, I served as an SEC Commissioner – appointed first by President Ronald Reagan and then the first President Bush. This makes me an unusual creature in Washington—someone appointed by both Ronald Reagan and Bill Clinton. You don't hear that a lot, do you?"

Ms. Schapiro mapped out the parallel paths of her career and developments in regulatory bodies as her talk progressed, including the

*This program is sponsored by **the Center for Business and Public Policy**, a non-partisan research center housed at Georgetown University's McDonough School of Business. The Center was created in 2001 to encourage dialogue and to document and disseminate knowledge on a range of issues in the public interest. Our mission is to engage scholars, business people and policymakers in relevant inquiries and dialogue to impact key business, economic, and ethical public policy issues confronting American and international businesses today. The McDonough School has an international focus, a rigorous academic environment, and a diverse student body that make the Georgetown experience unique. Within that framework, the center stands as a creative and intellectual marketplace for thoughtful exploration and careful testing of ideas on real world problems. Media Contact: Kelly Castellón (202) 687-3686, kkc3@georgetown.edu*

reason she became interested in regulation. This took her back to the 1970s and the silver bubble. At that time, she recalled, gold couldn't be held by private citizens, and so two men, the Hunt brothers, began to buy up silver in large quantities, ostensibly to hedge against inflation. Until the bubble burst, this activity drove the cost of silver up and affected industries as widespread as auto-manufacturing and photo processing. The Hunt brothers were finally convicted of conspiring to manipulate the market in 1988. Schapiro said, "It was hard for me to believe that a couple of people thought they were rich and powerful enough to get away with manipulating markets affecting millions of investors. Thus began my career as a regulator..."



Guests arrive for dinner in the historic Riggs Library at Georgetown University

And a very high-flying career it has been. Schapiro has seen huge shifts in the global financial markets, and has had to weather many changes in the way regulators do business. The first that she touched on was the recent challenges of cross-border regulation; which has proven increasingly necessary as financial markets become more global in nature. Schapiro described this as a possible risk scenario for regulatory bodies, and mentioned the fall of Barings Bank in England as an example. The response to this has apparently been an increase in cooperation among international regulators, but Schapiro suggested that a more effective approach might be a "move towards regulatory convergence – meaning having rules in multiple jurisdictions that are virtually the same, if not identical."



Ms. Schapiro speaks with Dean Daly, Deputy Dean Aggarwal, and Georgetown University Law Center Professors Don Langavaort and Dan Tarullo

The second large trend that Schapiro talked about was the new need for "harmonized investor protection," a need arising due to new financial products that are regulated by a variety of bodies such as SEC, CFTC, FINRA, NFA and many more banking and state regulators. This, said Schapiro, gives rise to confusion for many investors, something that should be minimized if possible (in the UK, for instance, there is one unified regulatory body, the Financial Services Authority, that is responsible for regulating almost the entire financial sector).

The final trend discussed was that of an increasing risk to senior investors due to fraud. "Of the 55 percent of seniors who said in a recent survey that they have lost money on an investment, 19 percent – almost one in five – attribute that loss to being misled or defrauded. Those are disturbing numbers," said Schapiro. In order to combat these figures, FINRA is conducting sweeps to investigate cases of fraud against seniors; one such sweep is the investigation of inflated or meaningless professional titles such as "retirement expert" to defraud seniors, and another investigates deceptive early retirement seminars.

The evening concluded with a general question and answer session, in which several Georgetown MBA students, professors from the business and law schools as well as the college, and members of the press took part. Questions ranged from how FINRA was handling the recent merger to whether it could ever be seen as an international regulatory body, to who might play Ms. Schapiro in an upcoming movie about the Hunt brothers.