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SEC to press reform despite change in Congress

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With the recent election and the inflow of Republicans into the House and Senate, many prognosticators have speculated that the Dodd-Frank Act may be in trouble. Not so, according to Securities and Exchange Commission Chairman Mary Schapiro.

In a recent speech, Schapiro stated that the influx of Republicans will not cause the SEC to reassess its view of rulemaking, enforcement and regulation of the financial markets. She noted that the SEC operates as an independent, bipartisan agency that is directed by commissioners from both parties. In addition, she noted that the SEC's mission is not of a political nature.

Notwithstanding the change in the makeup of Congress, Schapiro noted that the SEC is tackling a lengthy agenda. She also made it clear that the SEC was committed to implement Dodd-Frank. Among other things, she stated that the SEC is responsible for drafting 100 specific rules under Dodd-Frank, including regulations covering over-the-counter derivatives and hedge funds. Schapiro also noted that the

SEC was focused on addressing proxy voting infrastructure and a potential response to the "flash crash" of May 6, 2010.

Schapiro firmly stated that the mandates of Dodd-Frank and other reforms must go forward as planned regardless of the changes in Congress. For example, she stated that, with respect to the flash crash, the SEC is considering rules affecting high frequency traders because this type of trader may have played a role in the flash crash.

In her comments, Schapiro noted that these traders need particular attention because they have stepped into the role of liquidity providers traditionally occupied by market makers and specialist, but without the obligations of those individuals. She said that the SEC, in the end, is looking into potential approaches that would impose new obligations on liquidity providers in return for the benefits and privileges that they enjoy due to their access to the markets.

If anything, Schapiro's comments reflect that the SEC is moving forward with its agenda to scrutinize and improve the markets. The change in the political climate in the House and Senate does not appear to have any impact on that agenda. Only time will tell whether the SEC follows through on Chairman Schapiro's commitment to press forward with the Dodd-Frank reforms.