

SEC Regulatory Turf Threatened, Commissioner Says

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U.S. banking regulators are encroaching on responsibilities long held by the Securities and Exchange Commission for enforcing federal securities law and regulating capital markets, an SEC commissioner said Monday.

Speaking at the U.S. Chamber of Commerce, SEC Commissioner Michael Piowar defended the SEC's core mission and rebuffed increasing attempts by other agencies to exert influence over its regulatory authority.

Piowar, a Republican appointee, said these infringements pose "an existential threat" to the commission's core mission is the Financial Stability Oversight Council (FSOC).

"The FSOC, within which the banking and prudential regulators exert substantial influence, represents an existential threat to the SEC and other member agencies," Piowar said in remarks prepared for delivery.

Charged with responding to emerging threats and constraining excessive risk in the nation's financial system, the FSOC has drawn criticism for its actions that critics say amounted to strong-arming the SEC into promulgating stricter rules for money-market mutual funds.

"Instead of the FSOC spending time enabling bank regulators to encroach on the SEC's jurisdiction in securities regulation, where we have superior expertise, it should focus on fulfilling its own mission of identifying threats to financial stability," Piowar said.

The 15-member council made its recommendations amid a two-year impasse on the commission over how best to retool SEC oversight of the \$2.7 trillion money-market mutual-fund industry.

In June, the SEC unanimously approved a proposal, which Piowar said he is studying. While reforms might be necessary, he said, the manner in which the SEC rule proposal came to be was misguided.

"One of the most shocking decisions in the 80-year history of the SEC was the wholesale abdication of the commission's responsibility to the FSOC on the money-market funds," Piowar said.

The former SEC economist who was sworn in as a commissioner in August has complained other council representative-agencies wield more than their due share of influence. To his point, Piowar noted that SEC attendance is limited to the commission chair, Mary Jo White.

Piowar told the U.S. Chamber gathering that shortly after taking his seat on the commission, he requested an "observational role" at FSOC meetings.

Piwowar said the council rejected his request, saying that by admitting him, the body would have to allow other regulators and agencies a similar seat at the table.

“My answer to that concern is that the FSOC should get a bigger table,” Piwowar said. “Or, it should stop allowing the Federal Reserve to bring three people to the council meetings when other member agencies are afforded only one seat.”

The FSCO, led by Treasury Secretary Jack Lew, was created by the Wall Street Reform and Consumer Protection Act of 2009 (Pub.L. 111-203), the so-called Dodd-Frank Act.