

Securities and Exchange Commission Historical Society
Interview with Jean Gleason Stromberg
Conducted on November 7, 2013 by William Thomas

WT: This is an interview with Jean Gleason Stromberg (Jean W. Gleason when she was at the SEC) for the SEC Historical Society's virtual museum and archive of the history of financial regulation. I'm Will Thomas and the date is November 7th, 2013. We are in Washington, D.C.

So thanks very much for speaking with us today. We usually start by discussing a little bit of personal background, where you came from, what you studied in college and so forth, what your parents did if it's relevant to where you ended up.

JS: I grew up in California, Palo Alto, where my family had Stanford relationships. So I rebelled and went to college in the east at Wellesley and more or less have stayed in the east since then. I've already forgotten the rest of what the question was. My family, by and large, the men were mostly doctors, nobody was a lawyer, and I guess that was part of my rebellion, too. I decided to go to law school, mostly because I liked going to school, not because I particularly wanted to go to law school.

WT: Was there anything in particular that attracted you to Wellesley?

JS: Yes. In those days—this is in the 1960s—there were women's schools and Stanford, and Wellesley had a beautiful campus. I can't tell you that it was more. It was the way most people make their decisions about where they go.

WT: And you studied history there?

JS: And I studied history, yes, mostly American history.

WT: And then you went to Harvard Law. You finished in 1965 at Wellesley?

JS: Yes, and then what I really wanted to do was go get a PhD in American Studies. But I didn't want to teach, so I was advised I should not do that, and so law school seemed like a reasonable way to keep going to school.

WT: Okay. How was your experience there?

JS: It was fine. There were about 20 women in the class out of 550 or so, but I think, having gone to a women's school, it was easier to adjust than it might have been if I'd gone to a coed school. And then I got married the first year. I took Louis Loss's securities course, but I had no particular interest in any particular kind of law, or law generally at that point, but I liked law school.

WT: So then tell me about what happened when you finished. You did go into law, in fact.

JS: Yes, I think I wasn't very imaginative. I clerked for a year on the 9th Circuit Court of Appeals. The judge didn't realize I was a woman from my name and the fact that my

voice is a low, so could go either way sometimes, so he was surprised when I showed up. And he had already hired a woman clerk who was the first woman clerk, so he had two, so we had a wonderful time. He was very nice, too. And it was during that time that I think all of the 9th Circuit was in San Francisco, except for a few judges in Los Angeles, and the San Francisco judges all went out to lunch together every day. They were all men. Judge Hufstedler was appointed a judge, and she was in Los Angeles, but she would come up to San Francisco, and when she came up for a few days the other judges would stop going out to lunch because they didn't know what to do with her. It upset their system, so she would have lunch with me and the other woman clerk, and we had a great time. I don't know how much you're interested in the woman part.

WT: Oh, we're absolutely interested.

JS: Because, when I first got out of law school, law firms weren't hiring women by and large. And then, the next year, which was 1969, many of them had discovered that they should have—well, actually, that the Civil Rights Act, which was passed in 1965, applied to them, too. The next year a number of them offered me a job as their first woman, and I chose the firm that had the reputation for being the least collegial because I thought that way I wouldn't be left out. Because it was clear that collegiality had a downside — several more firms told me that they didn't want to hire women because the guys liked to swear and have a good time and they were afraid it would inhibit them if there were a woman around. Those were the collegial firms. So I thought, “Well, I'll go to the one

where they don't particularly like each other, then I won't take it so personally.” And it was fine. It was just such a different time that it's sort of hard to imagine now.

WT: Would you say that it was more antagonistic or more professional, being the opposite of collegiality?

JS: Neither, it was just slightly—you were less like to take it personally if somebody was unpleasant to you, or have a feeling, as sometimes you might as a woman, that everybody else was doing something and you were the only one left out.

WT: Right, right, I see.

JS: There was a tendency—or, as I was saying about the judge, the male judges, it wasn't that they didn't like the woman judge. They just were uncomfortable. It interrupted their pattern of having lunch together and hanging out to have a woman join them. It was just a different world. And that was sort of what I was trying to—I mean it was sort of a silly reason, I admit. And, when I first got to that firm, the head of the anti-trust litigation, the only time he ever spoke to me, said, “This is a rough, tough firm and you have to be rough and tough to survive in it.”

WT: That wasn't so often overly rude then?

JS: Oh, no. It wasn't unpleasant, in particular. He was unpleasant but he was unpleasant to everybody. Once I was there it was fine, and I got put in the securities group because one of the younger partners had advised me that I should say I was really interested in something so that I would sound more focused than I was. And he said, "You know, securities would be a great area for women. There's a lot of detail work in that." So I said I'll do securities, but not with him. I worked with a bunch of nice people who were old-school gentlemen types. In a lot of ways, the securities law practice and Wall Street and investment banking, they were really gentlemen's things. And I mean that in not a negative way. I mean they were all men, but they went by gentlemen's rules—they worked together well and they understood the rules and expectations.

WT: So what sort of work were you doing and what sort of cases were you involved in?

JS: I wasn't doing cases. I was doing counseling work, which is what securities law used to mostly be. You know, just working on corporate things and registration statements and things like that.

WT: Compliance essentially?

JS: Nobody ever said the word compliance in those days. I mean, that just wasn't a concept. It was such a different era, and I'm sorry that it's changed so much. Securities lawyers in those days were kind of the gatekeepers for people who wanted to raise money, and everybody understood that, and the clients treated the securities lawyers as people who

had to be listened to. They had a lot of power, the lawyers did, because they could say, “If you don't disclose what I'm recommending, the SEC won't let your registration statement go effective.” It was in the Division of Corporation of Finance that everybody was actually doing the work.

And everybody was on the same wavelength about it. It was a very effective system. There were enough rules that the lawyer had something to point to, and the SEC, its existence and the fact that it was paying attention to filings gave the lawyers some backbone to be able to say “no” to the clients. And everybody was in the same situation. It was the old days when law was more of a profession and the clients listened, but it was also—there wasn't even an enforcement division for many years because enforcement wasn't the primary regulatory tool; it was for the aberrant people, not for the regular sort of people who all had lawyers helping them.

And there used to be this saying, if one securities lawyer says something needs to be disclosed then all securities lawyers would say that, that everybody would see it the same way. The main emphasis in a lot of ways was on helping people comply with the disclosure law, but we never used the term compliance because it was more everybody just wanted to do the right thing. And the right thing was relatively clear.

WT: Right. What was prescribed by the law, essentially.

JS: But of course a lot of what was prescribed was the materiality, and that's a judgment call in many ways. But the lawyers had a lot of power helping decide what was material and what needed to be disclosed. And they knew they had the backup of the SEC, not the enforcement people, but the people in Corporation Finance.

WT: So had you intended in staying out in California, then, or had that just been a place that you'd gone to?

JS: Well, I was from there. My then-husband was working in a law firm and he decided—I never really pictured myself as practicing law. I didn't actually know what it involved. And we had worked in Washington one summer.

WT: During law school?

JS: During law school, and he had a chance to come work at EPA when it was first starting up, and he was interested in that, and it was fine with me to move back to D.C.

WT: Okay. Why don't we talk then a little bit about how you moved to the SEC then after that, correct, in '72?

JS: I came back here without a job, and, again, it was a time when they were looking for women in a lot of the agencies. The first job offer I got was from the ICI, the Investment Company Institute, which I had not heard of, but I knew somebody who knew somebody

and I went and talked to them. They had a slot for a woman, which was their blue-sky slot, and she was leaving so they wanted to replace her. Dave Silver and some of the old Investment Company people were there then. That was the first time I heard of the Investment Company Act. I also talked to people who put me in touch with other people at different agencies.

I can't remember why I went to the SEC to interview, but I interviewed with Brad Cook, was then the General Counsel, and Harvey Pitt. Harvey said that you needed to take a written test if you were going to be in the General Counsel's Office. They offered me a job, but I said, "I've been practicing law for three and a half years. I'm not going to take some test." Alan Levenson happened to be coming by Brad Cook's office at that point and Brad said to Alan, "Here's somebody you might be interested in." Alan looked at my résumé and interviewed me and offered me a job in Corp Fin, and it was the only job offer I got where nobody said, "We want you because you're a woman." It was the lowest offer I got, but I thought, "Okay, I can do this." I'd been sort of doing corporate law and I liked it, so I said. "Okay, I'll do that."

WT: What did the work in Corp Fin entail?

JS: I started in a branch as a staff attorney, and that branch was specializing in real estate. It was when REITs were first coming out and other real-estate kinds of products, unusual things for those days. During that time there was a big study that Ray Dickey did for the Commission on real-estate securities and real estate and the securities law—which I

happen to have a copy of right there—and I worked on that. After six months or so I worked in the Office of Disclosure Policy, which was more working on rules and policies. I continued doing that, really, but I was special counsel to the director. I got to see what the branch work was like and do that, which could be quite satisfying. There was a lot of emphasis on private placements and worries about how to do it in those days, and they had just done Rule 144, which had to do with reselling securities that you bought in a private placement.

WT: That was the safe harbor?

JS: The safe harbor, and then I worked on Rules 145, 146, and 147. 145 was mergers, and 146 was what became Reg D at some point. It was the first rule trying to spell out a safe harbor for private placements. And then 147 was intrastate offerings, trying to spell out a safe harbor. So it was very exciting, it was a lot of fun, and I did a lot of the first drafts of those. I got to work with Alan and Dick Rowe and Neal McCoy on getting them to fruition.

I did a fair amount of speaking, trying to explain the new rules to the world at PLI conferences and the like. That was also when we had hearings on disclosure of future-oriented information. You hadn't been able to put projections in any documents. So we had big hearings on that and wrote up some ways you could try and do that, including developing management's discussion and analysis, which was the first time that was required. I worked a lot with Sandy Burton who was then the Chief Accountant, and he

was quite a wonderful person and a very good accountant at being able to explain to non-accountants what was happening.

WT: The whole idea of a safe harbor was very novel at that time, so was that—from a Commission standpoint, was there a lot of discussion?

JS: No, this was Alan Levenson's vision, I think.

WT: Okay. So you just found a document from April of 1974. It's a poem, really, so tell me a little bit about this.

JS: Well, in Corp Fin we did a lot of work on the safe-harbor rules that we called the 140 series, and Ray Garrett was then the Chairman of the Commission, and he had practiced securities law for a long time and he was interested. He and Al Sommer, who was also on the Commission, were interested in this part of the securities law, i.e. trying to help people comply as opposed to enforcement. And so, after we had gotten a lot of these rules out, Ray wrote a poem that he gave us to thank us—I guess he was thanking us. It was called "Ode to the Word Series":

The Division of Corp Fin has long had the drearies,

Slogging its way through the 140 series.

We all raise our glasses, now that it's done,

To Dick, Neal, and Jean, and Al Levenson.

*With 144 we carved a new door;
With 145 mergers will thrive;
With 147 there's no intrastate heaven;
But we get the most kicks from 146.
Now that it's finished we can all look ahead
To years of interps to explain what we said.
And we've well taught the bar an eternal verity,
By the time we get through there's no charity in clarity.*

It's a nice poem, but it summarizes the attitude of what we were trying to do in that period.

WT: It is my understanding that these new rules really did very nicely streamline things for the people in Corp Fin.

JS: Well, I think they did for the people in Corp Fin. I think they did for private practice too. I mean, they didn't exactly streamline them, but they gave them something to work with so that they, again, could tell their clients, "Well, here's what the rule says so we'll do it that way." I mean 146 is where the concept, that's still around today, of the investor having to meet certain standards. A lot of the restrictions got chipped off over the years until today where there's hardly anything left, because now you can sell to anybody anytime it seems. But it gave a structure to issuers and their advisers that I think was very useful.

WT: Should we talk about anything else in your time in Corp Fin? Because I know you moved then to Investment Management.

JS: Well, the other thing that was going on in Corp Fin early in the 1970s, Stanley Sporkin was then the head of Enforcement, which was a fairly new division. That was before the Foreign Corrupt Practices Act, and when Stanley first got excited about political payments and foreign bribes by corporations. I'm sure there are other discussions of this, but Stanley wanted to sue everybody, and that would not have been efficient and there would have been too many people. Alan and Stanley together developed this concept of people coming in, this voluntary thing where they'd come in and tell you what they'd done and who they'd paid money to. We'd make them disclose something about it, but they wouldn't get sued, by and large.

We had many, many meetings with general counsels of big companies and their outside lawyers and Stanley and his enforcement people, where they would report to us what they had found, after they'd have internal investigations. It was a different way, it was efficient. The Foreign Corrupt Practices Act evolved out of that, because there really hadn't been any specific securities law against what they were doing. We required disclosure so investors would understand that the company's business was dependent on something potentially illegal. It wasn't until the Foreign Corrupt Practices Act actually passed and was adopted that that became the law itself. But it was a very busy time, and

I was a little less sympathetic with Stanley's point of view than with Alan's, but it was certainly an interesting time.

WT: You've reminded me, actually, that, I think, another issue in this period was proxy statements and what had to be in them and what could be left out. Did you run into that?

JS: Oh, you mean like shareholder proposals?

WT: Yes, exactly.

JS: Oh, yes. That was something else that we worked on.

WT: Yes, you were special counsel to the director so you got to see—

JS: I got to see a lot of things.

WT: Yes, everything across the whole division.

JS: I spent a lot of time writing speeches sometimes for the Commissioners and the Chairmen who were giving speeches about these topics, and writing the rules, but also just sitting around and talking about the concepts and stuff, so it was very stimulating and fun.

WT: Yes, I mean the opportunity to do some of that original writing falling down to the staff.

JS: Well, that's where it always ends up.

WT: Yes, but to what extent then would there be discussions with—I mean you mentioned Commissioners.

JS: Well, as far as I know, we didn't discuss it with Commissioners, but Alan, who was the director, had a way of managing where he would invite in everybody. If we were talking about one of these rules we'd sit around with Dick Rowe and Neal, who was the chief counsel then, and Mickey Beach sometimes and branch chiefs and others —and we would just talk and brainstorm about things. Alan would make the final decisions, but he always wanted to hear what everyone had to say first. It was a very good way of operating.

WT: That's very interesting. I was talking a couple of months ago now with Peter Romeo so I got another perspective. I mean, not a contrasting perspective, but it's interesting.

JS: The other thing that was going on, when I mentioned real estate, that was kind of the first alternative product thing that everybody talks about today. There were a lot of developments during that time. Condominiums were new and questions arose whether condominiums that were sold with rental pools, usually a resort condominium, where the developers would say they'd rent out the condominiums when you weren't there and you'd make some money from it. Well, there was a big thing about whether those were

securities, which they were, and there was a lot of effort put into trying to deal with changes in the real estate.

That was my expertise, too, more or less by default. I have this vivid memory of being sent to the American Association of Land Developers annual meeting in Colorado to give a speech on how the securities laws applies to condominiums. And, as I joked with Alan at the time, I must be being sent because I'm a woman and this way they won't be quite so overtly hostile. I had to explain to them that all the things they were doing in the resort condominium area, potentially involved securities – not only were they selling securities, but then all their salesmen would have to be broker-dealers. And then Reg T, which was then the margin rules, might apply to their mortgages. And we laid out this long string and it was pretty impossibly funny. They were very polite to me. There was a lot going on then.

WT: So, were there issues then in getting them to—I'm a little reluctant to say comply now because you mentioned they didn't use...

JS: Well, they adjusted. The lawyers were all interested in how to set it up in the right way. There were a lot of no-action letters about how to do it and when not to do it. A lot of them did register their condominium developments for a long time. I don't know what's happened now. I'm sure nobody does anything now.

WT: It was all very novel to them, being part of the securities and—

JS: Well, condominiums were pretty new themselves, at least the resort condominium concept.

WT: Okay. Shall we talk about the Investment Management Division then?

JS: Yes. What happened there is that the disclosure part of investment management, i.e., mutual funds, their registrations and filings was handled in the Division of Corporation Finance. At one time the registration, the disclosure aspects, and the regulatory aspects—because the Investment Company Act actually is a regulatory statute unlike the Securities Act—had all been in one division. But then there was concern in the top ranks that Investment Management was using disclosure to regulate, which was not what they were supposed to be doing. Before I got to the Commission, they had moved the disclosure part of Investment Management to Corp Fin so that the people doing the regulation in Investment Management would not be able to use disclosure. So then Rod Hills was Chairman and he wanted to move disclosure back to Investment Management, which was where it should be, and I was offered the job of being the associate director then, because of my background in disclosure. I went with the disclosure branches from Corp Fin to Investment Management. There were three or four branches that got transferred. I knew little about the Investment Company Act, so my role was to be the disclosure person who kept them in line. There were two associate directors, me and Syd Mendelson, who knew a lot about the 1940 Act, and Anne Jones was then the director. There had only been a

few women in professional roles at the SEC when I got there; Anne was one of them. It was interesting to learn something new.

WT: Yes, you ultimately developed quite an expertise in this area, is that right?

JS: I would not say that. Really it's a specialized area and most securities lawyers—in those days anyway, and probably today—don't actually know much about it. And they don't even listen if you start to talk about it, so I did get over the threshold of being afraid of it. I never really learned all the ins and outs of it because I didn't have to and I didn't really want to. So I would say I was not an expert in it but I was certainly familiar with it, not afraid of it.

WT: Right. So you did that from 1975 to 1978, I guess?

JS: Yes, I think that's right, '75 or '76, I forget. It was about two years.

WT: Okay. And so could you tell me a little bit about the day-to-day of that maybe?

JS: Well, I oversaw the disclosure branches and I oversaw the chief counsel's office in investment management, which did all the interpretations, as well as the Investment Advisers Act as it applied to non-investment companies. The other associate director, Syd Mendelson, oversaw the regulatory aspects, the exemptive requests and things like that. Anne Jones, the director, was interested in developing some new rules that

acknowledged reality, I would say, and so we, with Joel Golberg and others, worked on what became rule 12b-1, which allowed funds to pay for distribution under limited circumstances, and that was a very big deal in the investment management business. I think 28(e) was right around that time too, which is soft dollars. I was involved in drafting some stuff and then overseeing it and talking with the chief counsel, and I hired Lee Spencer to become the chief counsel and he went on to become the director of Corp Fin. It was a good group.

WT: Was it all mutual funds, or were there other areas falling under that?

JS: Investment management was investment advisers and investment companies. There's an Investment Advisers Act of 1940 and the Investment Company Act of 1940, and I think the Public Utility Holding Company was also in our division then, but it was so specialized that none of us knew anything about it—or somebody did, but I didn't. Another big legal issue was people trying to avoid being under the Investment Company Act. During that time we tried to get some legislation that would regulate investment advisers more, but Congress wasn't interested. To be an investment adviser all you had to do was fill out a little form and say you were one. I remember one whose background was selling rugs at Sears. We couldn't do anything about it.

WT: Did they generally prefer to only have to, I guess, be in the area of being a broker-dealer or something like that?

JS: Instead of investment companies?

WT: Yes, instead of being an adviser, per se.

JS: Oh, no, being an adviser was much easier.

WT: Was preferable?

JS: Yes, everybody wanted to be an adviser, but nobody wanted to be an investment company, because an investment company was public. It had to be regulated like mutual funds because that's what it was basically.

WT: Right. And I know that the big ballooning in mutual funds is generally considered to be in the 1980s, but was there evidence that it was going to be really major?

JS: It was a big business then. The same people were around. I mean, I still go to things and see people I knew forty years ago. It's a very small community of lawyers and advisers.

WT: And so then from there you went into private practice for quite some time?

JS: Yes. Alan Levenson, who I'd worked with, had gone to Fulbright & Jaworski a couple of years before, right around the time that I went to Investment Management, and he encouraged me to come to Fulbright and I was ready to try something else. I would say

this to Stanley's face, and I have—I disagreed with Stanley on some things—Stanley would say I was being legalistic because I would ask what the law was. We got along fine, but things were just going in a direction I was less enthusiastic about and I was ready to leave.

WT: Right. So you actually did have to have quite a bit of dealing, then, on the enforcement side with Stanley Sporkin?

JS: Well, that was particularly through the Foreign Corrupt Practices, the era when we worked together on the political payments, the things leading up to the Foreign Corrupt Practices Act.

WT: Right. So you'd have to liaise then about what rules were being violated, I guess?

JS: Not really. He took the lead and we would say, "What's the basis?" and then we would have a discussion. He was very good and I admire him, especially for the political payments part, to do what I wish the Commission did more now, and that is use disclosure to affect behavior in some way. It was just time; I'd been there long enough.

WT: So then tell me a little bit about, I guess, the culture at the firm, what your experiences were going over into private practice.

JS: Let me go back and say—

WT: Yes, absolutely.

JS: Because you asked about women and I was thinking one of the things—I had my first child when I was in Corp Fin, and when I came back to work at the SEC, I realized I really wanted to work part time, and I said I would work five days a week, 80 percent, so that I felt that I could leave when I wanted to go instead of feeling like I had to be there all the time. Everybody said just don't cause problems, just go home when you want. I said I want it official, so I don't feel like I have to—

WT: At the SEC?

JS: At the SEC. The personnel office said, well it can't be done. Everybody will want to do it and blah, blah, blah. So I said, "Well, I'm going to have to think about whether I want to stay." Alan, to his great credit, he didn't want to make an exception for me so he developed the first program to allow part-time work. He put out a release saying anybody in the division can apply for it, male or female. He wanted to be sure it was totally open. It had to meet some standards, like five days a week and 80 percent, and so I did that. It was also a time when the Civil Service was starting to encourage the government to allow more part-time work. But I was pleased that it worked and that it was official. I felt as if I'd contributed to the future, because the SEC has always had very good women, and one of the reasons was I think that there was some flexibility, for

a while anyway. Anyway, I was going back to the woman issue that you said you were interested in.

WT: No, that's absolutely fine. I'm kind of curious: so basically you had then just a few extra hours of your day to attend to family matters, I guess?

JS: Well, it just took the pressure off me to feel like I had to stay all day and then get home late and whatever. I had full time help at home, but I wanted to be there more. And when I went to Fulbright that was my deal with them, too, that I would work five days a week but 80%—I got paid part-time. It was a great deal for them, because of course you end up working most of the time, but it made me feel better. So when I went to Fulbright, not only was I pregnant with my second child but I also wanted to work part time. I think Alan saw that as a great challenge; he had a good time making that happen. I did securities law there. We did mostly more special project kinds of work, counseling. At the beginning it was almost all counseling. It gradually shifted to more enforcement, but I stayed pretty much in the counseling side.

WT: Did you notice any evolution through time in terms of the issues that one had to deal with in counseling?

JS: Well, I think the role of the lawyer got less. I mean the power of the lawyer got less. Especially with the deregulation that started in the '80s and continued. I thought this was not a good thing, as it undercut the power of accountants and lawyers and others, and

even boards of directors. My observation is that you need backbone to do those things well, and to expect everybody to have backbone without some backup is just unrealistic. The clients got more and more demanding about—they wanted the right answer, they wanted you to tell them how to do it and not what the problems were, which sounds good, but in securities law is actually not so good.

And investment banking changed. The whole concept of due diligence, the investment bankers had always taken that really seriously. Then, we moved through the disclosure process of having registration statements that became easier to do: shelf registrations that allowed you to file one and then just at some point decide to go ahead. The due diligence part, especially on the investment banker's side, started to become much less a serious business. And that grew through that time, and by the '90s I just wasn't that comfortable. I mean, I had a couple of really good clients I worked for and I was comfortable with them, and I was totally comfortable in my firm. There were changes in law firms too, and the clients who would say, "Well, if I don't get the answer from you I'll go to somebody else." They often could get a different answer, which they couldn't have done so much in the '70s and in the early '80s.

WT: It's a real shift away from that culture that you were talking about earlier?

JS: Yes. That is the reason I think why you'll find so many people who worked at the Commission in the '70s have these wonderful positive memories. You really did feel you were doing something in the public interest, in the shareholders' as well as the system's

interest. My friends laughed at me because they were all working for environmental organizations and had a hard time thinking that corporate law could be in the public interest. But you really could believe it then. I think it's gotten harder. There was also this shift toward enforcement as the main emphasis, which is not, again in my view, a very efficient way to run a regulatory agency because you just can't sue everybody and deterrence isn't as effective as avoiding problems to begin with.

WT: You'd say then that this attempt to encourage self reporting kind of fell apart in that same era?

JS: Oh, it was over by then, because that was primarily on the political and foreign payments. Once the Foreign Corrupt Practices Act was passed it was less of an issue.

WT: Would you say, then, that the shifts that we're talking about were perhaps even more cultural than they were regulatory, in terms of the letter of the law?

JS: Well, I think they were related because the regulations were also getting more and more wide open and it became easier to register so that the power of Corporation Finance to help people comply became less. Pressures were such that it got harder to do the due diligence and other kind of things that protected the system. And the pressures became focused on making it easier to raise capital than protect shareholders.

WT: So in terms of, I guess we might say a cultural shock, at first it wouldn't have been so bad going over into private practice, but that really through time that evolved.

JS: Working with Alan Levenson I felt comfortable, because I knew him and I knew where he stood and I knew that we would not do anything that I was uncomfortable with because he wouldn't do anything that he wasn't. The people he worked with were all people who had had some association with the SEC or been where they had learned that system. But we weren't the only ones. I mean, that was pretty true for most of the securities bar. But I would say you could look back now and say it was a pretty insulated group, but sometimes there's some benefits to that.

WT: Did he stay there the whole time that you were there, or did he eventually move on?

JS: No, he stayed there. He died ten years ago, but he was there until he died.

WT: Okay. And you were there until '97?

JS: I think it was '96. There was an opportunity to go to the GAO, the Government Accountability Office, it's called now, I guess, as the head of their financial institution area, not as a lawyer, but as a manager. They produce a lot of reports at the request of Congress or on their own initiative. It's a really interesting and professional agency.

WT: But you'd already been on Warren Rudman's committee at that point?

JS: Yes, that was just sort of an extracurricular when I was practicing law.

WT: One didn't lead into the other?

JS: No, no. I knew some people at GAO and I was ready to try some public service again because I didn't particularly like the direction that securities practice was going, and it seemed like a good idea to try something different. It was more of a management job. I testified on the Hill on one of our reports about why there should be more regulation of Fannie Mae and Freddie Mac. That was fun. Nobody listened, but I enjoyed it. I was only there for about a year because I had some personal health issues, not for myself but for family things and it just got to be too much. So I decided it was time to take some time off and see what else I was going to do.

WT: Okay. We are interested in the Rudman Committee because we've been talking to a number of people at NASD, and so having the perspective on what was happening there in the 1990s would be useful.

JS: Well, I don't remember a whole lot about the details, but the focus was governance. Most of the work was done by the law firm Rudman was of counsel to—Paul Weiss—and it was a big project for his law firm. There had been issues, which you probably know more about than I do, and the Committee was asked to consider how to improve governance to make the NASD a less conflicted regulator. I have a copy of the report.

WT: Right. The odd-eighths thing going on, with quoting certain prices that would never come in at an odd-eighth, so it increased the spread.

JS: The committee was focused more on whether it was appropriate to have the same entity govern both the market itself and also the participants in the market, because there was some sense that there was favoritism towards the bigger participants and that that impacted the governance of the—and I don't remember what the specific issue was. I don't think it was that. I think it was a series of things.

WT: I know that was one of the issues.

JS: It could have been.

WT: Yes, NASD wasn't exercising sufficient oversight.

JS: Yes, and so what we focused on was governance aspects, basically separating the two.

WT: NASD and NASDAQ.

JS: Yes, so that they didn't have that conflict, so it was really focused more on that kind of issue than it was on specific issues of: what did people do wrong? It was more: you're going to get people doing the wrong thing if you have the wrong governance so let's

think about how to do it where people can pay attention to what they need to pay attention to.

WT: Right. And then the 21(a) report from the SEC was a little bit after that, actually. I may be pressing you too much on something that's not—

JS: I just don't remember. It wasn't the main thing I was working on. We spent a lot of time talking about it. I do remember the 21(a) report, but I don't remember the timing.

WT: Okay. So then, I don't know if there's anything else we should talk about with the GAO. Is that mainly, then, the mutual funds again?

JS: No, no, it was all financial institutions. My issues area covered the bank regulators, the securities regulators, the Fannie Mae/Freddie Mac, all the financial regulators in the government, commodities futures exchange, you know, whatever. And the reports we did, members of Congress asked for reports. But also the strength of the GAO is it develops its own areas that it wants to look into.

WT: So you oversaw the research and production of the reports?

JS: Right. And my job was to be the one who testified about them when Congress wanted to.

WT: Okay. We haven't actually spoken with many people who are at GAO, if any, I'm not sure.

JS: I don't think you'll find very many, unless you do it as a GAO history instead of SEC history. The SEC was one of the agencies that the GAO evaluated.

WT: Well, we're interested in all aspects of regulation, so it's—

JS: Well, the GAO would not consider itself a regulator. They are an arm of Congress. They do oversee the audits of all the federal agencies, but that's separate from the investigative side.

WT: How big was the office, or your part of the organization?

JS: Oh, seventy people maybe?

WT: Seven-zero?

JS: Yes. There was an issue area, they've changed the structure now and I'm not sure what they're called now. Then they were called "issue areas." There was one for health, financial stuff and, you know, I don't remember what they all were, but there were ten or so, including financial institutions and markets, health and welfare, housing, etc., that covered the entire government.

WT: Right. And yours was the financial institutions and market issues.

JS: Yes.

WT: All right, I don't know if you want to cover anything after your departure from GAO?
You may as well mention things that you've done.

JS: Well, what I did start serving on the board of directors of a group of mutual funds which kept up that part of my background, but I haven't participated in other securities law things so much, partly because it was so clear to me that we were going the wrong direction for my taste.

WT: So just returning, then, one more time to the theme of women and regulation, I mean you must have seen quite the overarching shift from the early period of the '60s and '70s into the '90s and the most recent decades.

JS: Well, yes, it wasn't just happening in regulation, it was happening everywhere.

WT: In law, across society.

JS: Yes. I had women friends, women lawyers, friends who were my age, of which there weren't that many of us, so we would get together a lot. One was Brooksley Born, who

was the head of the CFTC and who got a fair amount of publicity because she was the only member of a group of heads of all the financial agencies who said that derivatives had to be looked at. This is—

WT: Very important.

JS: Everybody just shot her down, and there's been a lot of publicity about that because she was absolutely right and everybody agrees that she was right. That was in the late '90s, I think, and I think there's not too much doubt that the fact that she was a woman probably didn't help her status-wise in talking to the rest of the group. So things change, but not totally.

WT: Right, definitely at the level of public discourse. I mean, we've just seen Janet Yellen come in at the Fed as well.

JS: That's exciting.

WT: Yes.

JS: Well, and she's been around a long time. It gets easier, the more women there are the easier it gets.

WT: And at the Commission, Mary Schapiro and Elisse Walter.

JS: Yes, and in any organization—there's even been some research done on boards of directors—which found that it is important to have a critical mass of women, you can't just have one. You just need enough so that it stops being an issue.

WT: It ceases to seem a novelty even when somebody does get to the top.

JS: Yes. And we've advanced some but not everywhere, but that's life.

WT: Okay. Do you have anything else you'd like to add?

JS: No, no.

WT: All right. Well thank you very much.

JS: Oh, you're welcome.

WT: It's been very interesting.

[End of Interview]