



## Call with Obama Transition SEC Agency Review Team

### I. Short-term actions:

**Market Crisis Response: The SEC should reposition its mission to focus on market risk.**

1. While the Commission needs to continue its mandate as “the investor’s advocate,” the agency can enhance investor protection through policies designed to manage market risk while continuing to detect and prosecute fraud and manipulation.
2. Report to Congress: The Commission should conduct an immediate full review of the trading dynamics of this fall to report to Congress at the outset of the new session.
3. One Commissioner should be assigned oversight responsibility of market regulation matters in order to upgrade the attention it is given.
4. Short sale regulation: The Commission should adopt a modified uptick rule.
5. Credit default swap regulation: The SEC should incentivize central clearing for credit default swaps in order to reduce systemic market risk.
6. SEC-CFTC harmonization: The Commission should immediately combine their exam program with the CFTC without waiting for legislation. This would involve one Agency person heading up each exam team and closely coordinating with the Fed. This should be combined with an immediate effort to harmonize regulatory requirements across the two agencies.

### II. Longer-term actions for inclusion in broad regulatory review by Congress:

1. **The Commission should emphasize the importance of transparency in financial markets.**
2. **The rulemaking review process needs to be changed. It is outdated and ineffective, and puts exchanges at a significant domestic and international competitive disadvantage.**
  - Exchanges should be treated like any other business, or at least equivalently with any registered broker-dealer, for things like methods of operation, fees charged, and joint venture partners.
  - The economic power that exchanges once had no longer exists. Today markets have many competitors that are not subject to the same regulation, either because they are outside the US or are technically broker dealers rather than registered exchanges.
  - Consideration should be given to further expanding the categories of exchange rule filings that are effective upon filing.



3. **The Division of Trading and Markets should be reorganized to focus on key market issues rather than processing individual rule filings**
  - Reevaluate the required public comment periods applied to rule filings.
  - Eliminate excessive layers of staff reviewing the same filings
  - Establish a mechanism to ensure coordination among division heads.
4. **The SEC should undertake a complete review of its rules to update them for modern markets and eliminate those that are obsolete.**
5. **The SEC should press for international harmonization/cooperation.**
  - Mutual recognition is an important initiative that should not be pursued. Markets are international and the US will lose regulatory control (and business) to other markets if we do not coordinate with international regulators.
  - IFRS should be implemented according to the schedule previously announced.
  - SEC should consider allowing US and foreign exchanges to “co-list” an “international class” of issuers and permit seamless electronic trading of these issues on both platforms.