



Raymond A. Mason School of Business

WILLIAM & MARY

LEADERSHIP & BUSINESS PODCAST

EPISODE 125: HESTER PEIRCE – THE SEC

Ken White

From William & Mary in Williamsburg, Virginia, this is Leadership & Business. The podcast that brings you the latest and best thinking from today's leaders from across the world. We share the strategies, tactics, and information that can make you a more effective leader, communicator, and professional. I'm your host Ken White. Thanks for listening. The Securities and Exchange Commission was established 85 years ago to regulate the commerce in stocks, bonds, and other securities. The mission of the SEC is threefold to protect investors, to maintain fair orderly and efficient markets, and to facilitate capital formation. The SEC is led by five commissioners, each nominated by the President of the United States with consent by the U.S. Senate. Hester Peirce is one of the commissioners. Peirce recently visited the William & Mary Law School as a guest of the Center for the Study of Law and Markets. Before speaking with students, she sat down with us to discuss the SEC, her role as commissioner leader and communicator, and how she became known as crypto Mom. Here's our conversation with SEC Commissioner Hester Peirce.

Ken White

Hester, thank you so much for being here. Before we start our conversation, you normally like to give a disclaimer before we get rolling, and please, by all means, do that.

Hester Peirce

All right, I do and thank you for the chance to be here. It's wonderful to have the chance to have a conversation. The things that I say represent my own views and not necessarily those of the U.S. Securities and Exchange Commission or my fellow commissioners.

Ken White

Great, well again, thanks so much. Well speaking of the commissioners and what you do when someone meets you if they knew nothing about the SEC, what would you tell them the organization does?

Hester Peirce

Well, I've had that experience a lot. So first I have to say it doesn't do football which disappoints most people, but then I usually tell people it regulates the stock markets. And it regulates financial professionals who give you advice about investing.

Ken White

And your role as a commissioner?

Hester Peirce

So there are five commissioners, one of whom is the chairman and I'm not the chairman. So as commissioners, we really have purview over everything the SEC does in the sense that we vote on enforcement actions, and we vote on rulemakings. And we have oversight over what the agency is doing though the staff reports directly to the chairman. So given that we have broad voting powers, we sort of have to be aware of what the agency is doing in lots of different areas.

Ken White

How do the commissioners work together? What's that like?

Hester Peirce

Well, an interesting facet of that is that we have a Sunshine Act, which prevents more than two of us from talking about substantive things at the same time unless we're doing it in a public forum. So we tend to try to avoid being together more than two of us together at a time which makes interesting dynamics. You have to, you know, talk to one person, and then you take that, and you talk to someone else. But we have very cordial relationships across the commission. An interesting thing about an independent regulatory agency like the SEC is that we're politically balanced. And so there's always going to be diversity of viewpoint on the commission. And I think that's really valuable and one of the reasons I love being on a commission because I really like the back and forth and I like hearing the different perspectives. And I think it leads to better policy stability across time. And really when you think about the job that we're doing. Sure, you're going to have different views on how things might best be done. But we all agree that the capital markets are vital to our economic health and to the prosperity of Americans and people all across the world frankly. So we're all committed to that same general objective.

Ken White

Interest the Sunshine Law never occurred to me. How interesting. Yeah, and why not.

Hester Peirce

People really hate it.

Ken White

How about that. Yeah definitely affects the way you interact and communicate.

Hester Peirce

I shouldn't say hate it, but I mean it does change the dynamic.

Ken White

Yeah, no doubt. You mentioned the staff reports to the commissioner is that the 4000 employees you mean that are across the nation in the various offices?

Hester Peirce

Yes, so they report up to the chairman. He has the ability to kind of set the agenda at the agency and definitely takes input from the rest of us. But ultimately it's his call what goes on the agenda.

Ken White

Do you interact with those folks?

Hester Peirce

With the staff, yeah. Yes, all the time, yeah.

Ken White

That's a lot of people spread way over across the country. How do you do that?

Hester Peirce

Well, so partly we've got great video technology, we've got great ability to communicate that way. And so when we have meetings, for example, to vote on enforcement actions, you can have people from all across the country participating in those meetings. But I also spend a lot of time on the road and often we'll stop in and visit one of the regional offices. And so I've gotten to know people that way to talk to people on the phone a lot.

Ken White

So my guess is most 7-, 8-, 9-year-olds are not growing up thinking when I do grow up, you know I want to work for the SEC. What were you like as a kid? What did you want to do when you were little?

Hester Peirce

So oddly, I wanted to be a securities analyst. That was one of the first. You know we all cycle through lots of things we want to be. I wanted to be a professional flute player, but I didn't play the flute very well. But I loved tracking stocks on graph paper. I would graph out I get my dad's Wall Street Journal, and I track every day, and I loved that. So I thought oh being a securities analyst would be really interesting, but I ended up at the SEC instead.

Ken White

Yeah, but it's in there that if you were there and there. Oh, that's great. What do you like about your role?

Hester Peirce

I love the ability to weigh in on these big policy questions and think about ways that we can make our capital markets, even more, the envy of the world than they are. So what really drives me is the belief that there's unlocked talent in our country. And so part of the way do you unlock talent is you get money to fund people who have good ideas, and then those people build businesses they hire other people. And so we can see that you know I'm from the Midwest and we can see that in lots of places there's a lot of growth going on, but there are other places where there isn't as much growth. And what can we do? It's not because people don't have good ideas and it's not because people aren't hard-working. It's because we haven't done a good enough job building the infrastructure the capital markets infrastructure for them to be able to contribute what they have to contribute to society and, therefore, to do better themselves. So that's really what gets me up in the morning and gets me excited about my job.

Ken White

There's got to be something that's a little frustrating or something you necessarily don't look forward to. What aspect of the job is that?

Hester Peirce

Yeah, certainly, there are frustrations, so I come at the job as a believer that regulation government regulation isn't necessarily the first and best answer to every problem that we see in society. So when I see a problem I say all right is the market solving that problem already. If so, maybe we don't need to do anything if it's not, and the problem's not going to go away on its own. Let's do something, but let's do it in a way that we're taking into account the unintended consequences of what we're doing. Because often, government regulation can have really really harmful effects. And so I want us to try to game through what those are in advance. So one of the frustrations for me, of course, is that once you get a rule on the books, things can change a lot, and it's really hard to undo that rule. And so we end up in a situation where innovation is leaps and bounds ahead of where the

regulation is. And then people who are trying to innovate come to us and they say we've got this great way to serve people and we can't do it because of your rules. So one recent example is, I was talking to a big financial company that wanted to communicate with its clients using all kinds of very creative and modern technologies that we would expect them to use. You know mobile phones, virtual reality type things. And so they're thinking about how to do this, and then they're thinking it's going to run up against an SEC rule. And that's a shame because obviously the investors I know most of them would rather get their disclosures in a mobile way rather than paper. And so we need to move the regulatory mountains to allow that to happen. And then I think the firms will go ahead and innovate.

Ken White

But that takes time. Right. I mean, it's just nature of the beast sort of.

Hester Peirce

It does, but I think people on the investors don't really understand that because they're getting every other aspect of their life, they're getting served in the way they want to be served. But because the financial industry is so regulated, they can't be.

Ken White

We'll continue our discussion with Hester Peirce of the Securities and Exchange Commission in just a minute. Our podcast is brought to you by the Center for Corporate Education at William & Mary's School of Business. As a leader, your ability to create capacity for innovation in your organization relies on getting the right data, interpreting the results, and making the right decisions. Well, the Center for Corporate Education is offering the three-day Business Analytics for Strategic Leaders Program in Washington, D.C., in March. The program is designed for forward-thinking executives with the responsibility to implement strategy and grow the business. To learn more about Business Analytics for Leaders, visit our website at wmleadership.com. Now back to our conversation with Hester Peirce of the S.E.C.

Ken White

Now you had to be confirmed, you what you went through the process, and most Americans have spent maybe 10 minutes watching C-SPAN and watching that and saying Thank God I didn't have to go through that for my job. What's that process like?

Hester Peirce

So I had to go through it twice because I didn't. I failed the first time. So you know it's an interesting process, and I think it's a really important process because the Senate's job, it's the president's job to nominate, and then the Senate's job to advise and consent. And so

they really need to spend some time with you as both in that public forum, but also you meet with some senators before that happens or after. And I think it's really important for them. They have important views. And when I'm in the seat I'm in now, my directives come from legislation that Congress writes, and so they want to understand. Hey, is Hester going to put this legislation into practice? And if so, what is she going to be thinking about as she does it? So, all in all, I think it's a really important process, and I appreciate that they were willing to take the time with me.

Ken White

How do you prepare for something like that? That's not a normal job interview.

Hester Peirce

Yeah, I mean you spend a lot of time thinking about the different issues that are facing the agency in some ways you're limited in what you can do because you can't prejudge issues and I can tell you this certainly now that I'm in the role I'm in. You often don't have all the facts at hand. You might know an issue from one perspective, but when you get into the agency, you see, oh, we've gotten all kinds of different views from all kinds of different people we really need to think about all of these. So that makes the job fun, but it makes it much harder to know what you're going to do on the outside. Once you get on the inside.

Ken White

I think people who know you follow you are aware of what you and your associates do would probably label you as a communicator. You write you're on social media. You give talks. Where did that come from? You're very transparent. And many leaders are not. Why do you embrace that way of communicating?

Hester Peirce

Well I think it's important for us to I mean we work for the American people and so if we can communicate with them, we should. Now obviously, there are limits on all of our time. And so there's a tremendous amount of reading and meeting with folks internally and externally to try to work through things. So but we all I think try to get out there and meet people and talk to people, and you know frankly I know that some people are going to look at what I'm doing and they're going to say we think Hester is not doing a very good job and I think that's great. I like to hear that feedback from people about what I can be doing better. And so I figure if I'm transparent, it's easier for people to tell me that they don't think I'm right. That's not always fun to hear. But I think it's important for someone in my job.

Ken White

You are out there in terms of talking today you're at William & Mary Law School going to talk to some students you've addressed many different audiences. Is there a certain message you try to get across a lesson or a goal?

Hester Peirce

Well I love talking to students because I think often especially when they're in law school they're thinking about their career it's an exciting time of their life. And I love getting them to think about hey maybe there's a career for me in securities law whether it's at the SEC, or whether it's in industry, or at a law firm working on securities issues. But also just more generally thinking about the value our capital markets play in their lives now and in their future lives and thinking about how they can maybe contribute to that. A lot of law students are very idealistic, which is wonderful, and I want to show them you know part of that idealism can really be worked out through the capital market system, which is can be a great transformer of people's lives as we talked about before. And so this idea that you can radically improve people's lives using the capital markets as a message. I like to convey.

Ken White

Those who you have a bit of a fan club. They've tabbed you with the name crypto mom, but that's cool. I assume you like that.

Hester Peirce

I like it because I'm not a mom. I wasn't a mom until I became crypto mom, and you know I figure hey now I've got a lot more kids than I ever thought I would.

Ken White

How did it happen?

Hester Peirce

Oh, I wrote a dissent about we were considering an exchange-traded product that was based on an underlying Bitcoin underlying. And I wrote a dissent. And so they deemed me, crypto mom, because of that. But I, you know, I think the broader point is just the point I was making before we're sometimes pretty slow when it comes to innovation. And we're dealing with a generation that really has some interesting ideas about how to solve problems. And so let's let them do that in a way that's consistent with our regulatory framework and protects investors but also allows them to do that. And we've been slow on that front at the SEC.

Ken White

Who are your role models in terms of leadership and public service?

Hester Peirce

Well I mean I think there are so many good models out there and so I look to everyone from you know my father to professors I had in law school to people I work with at the SEC who have been so dedicated have been there for some of them had been there for years. Others have come through and been there for a short time but just have been really influential. I even you know I enjoy working with Chairman Clayton, and it's been such a pleasure to work with someone who's so committed to making sure the agency works effectively, carefully, and just methodically through issues that have been on our agenda for a long time. So you know I really respect and look up to that to that in him as well. It's really a difficult job that he's in, and I just it's been a pleasure to work with him. So he's one of my role models.

Ken White

I often ask our guests because leadership & business is the podcast. How much passion do you have to have for your work to be effective?

Hester Peirce

Well, I think that's true for any job you really need to be passionate about it, and you need to see it in the bigger picture cause obviously we all just have a small role to play. But there is a bigger picture that we're trying to accomplish, and if we each see our little role as being part of that, I think it's exciting, and it makes you want to go to work and try to do it as well as you can and try to contribute from your own background and experiences. I mean, I think that's part of the beauty of having diverse participation cause then you've got people coming from all different perspectives and bringing what they have to the table, and that's makes us more effective.

Ken White

And that's our conversation with Hester Peirce. And that's our podcast for this week. Leadership & Business is brought to you by the Center for Corporate Education at the William & Mary School of Business. The Center for Corporate Education is offering the Business Analytics for Strategic Leaders program in March in Washington, D.C. It's taught by the William & Mary MBA faculty ranked number one in the nation by Bloomberg Businessweek. For information regarding that and our other programs, visit our website at wmleadership.com. Finally, we'd love to hear from you regarding the podcast. We invite you to share your ideas, questions, and thoughts with us by emailing us at podcast@wm.edu. Thanks to our guest this week, Hester Peirce, and thanks to you for joining us. I'm Ken White. Till next time have a safe, happy, and productive week.