

**Securities and Exchange Commission Historical Society**  
**Interview with Geraldine “Gerri” Walsh**  
**Conducted on September 13, 2013 by William Thomas**

**WT:** This is an interview with Gerri Walsh for the SEC Historical Society's virtual museum and archive of the history of financial regulation. I'm William Thomas, and today is September 13th, 2013. Thanks once again for agreeing to speak with us. Why don't we begin with a little bit background, where you're from, what your family's occupations were and that sort of thing?

**GW:** Thank you, and thanks for having me. I was born in Hartford, Connecticut about fifty years ago, and my parents were Irish immigrants. My dad came from County Offaly, Ireland in 1956, went back to Ireland, courted my mother, came back in 1960, and then my two siblings and I grew up in just outside of Hartford, Connecticut.

My dad was a carpenter and my mom, while she didn't work initially, became a hospital administrator, so largely a blue collar background. And I remember dinnertime conversations where my parents considered moving back to Ireland when I was in the second and third grade, and ultimately they decided not to because they thought the educational opportunities here in the United States would be much better for me and my sister and brother and so we ended up staying, but I'm first generation.

**WT:** Did they push you in any particular directions as to what they wanted you to do in life?

**GW:** No, my parents were very supportive of academic freedom. Neither one of them had ever gone to college, and both of them wished that they had and so they looked to the opportunities that we three kids had as gold. And so they did not mold me in any preconceived mold. They encouraged me to do whatever it was I wanted to do.

I'm a middle child and maybe that explains a lot about me. Who knows? But my older sister went to Fairfield University and entered business and now has been for many, many years at IBM. And my younger brother went to the University of Connecticut and is in the hospitality industry. And I was sort of the black sheep of the family in some ways. I was the one crazy kid that went to law school, but nobody pushed me there.

**WT:** You went to Amherst for your undergraduate?

**GW:** That's right.

**WT:** What made you decide to go there?

**GW:** It was a very independent thought. I went to a college fair at the Hartford Civic Center and I met Ed Wall, who was the dean of admission at the time, a very forceful personality, but he encouraged me to apply early decision to Amherst. And I looked into it, and I went to South Catholic High School, which no longer exists, in Hartford, Connecticut, and my guidance counselor thought, wow, Amherst would be really great. I don't think you're going to get in. Why don't you think about Smith or Mount Holyoke; that would

be also a good path for you, and I thought, well no, I want to do this, and so I remember driving the family car myself up to Amherst to visit the campus and having an interview.

My sister was the first person in our family to go to college. I'm the second. And I actually have one cousin in Ireland that did go, but I didn't really have a lot of experience with college campuses. When I drove down Route 9 to get to Amherst, I drove right through the campus, not even recognizing that it was a college. But I figured out pretty quickly that I had gone the wrong way. I turned around. I interviewed, and I just loved the campus, the professors, I loved the program. It was a small college but there was a five college consortium that I could take advantage of, and it just seemed so appealing to me, and it wasn't where my sister was going. She went to one of the Jesuit schools, Fairfield, and I wanted to go someplace different. And it was as simple as that. I got in early decision and I never made another decision.

**WT:** Did you know what you wanted to study when you went in?

**GW:** I didn't, and I thought that I would focus on economics at the time and took a couple of economics classes, but then I became enchanted with the history department and ended up being a double major in English and history.

**WT:** Okay, terrific. Fellow traveler in some respects, then.

**GW:** Yes, yes, yes.

**WT:** But then you decided to go to law school after that.

**GW:** Crazy me. I took a year off actually, and this is where having had family that had gone to law school might have been helpful. While I was in high school, and then also while I was in college, I had afterschool and summer jobs at a local law firm, Gordon, Muir & Foley. Not sure if still exists, but it was this wonderful twelve-person firm in Hartford, Connecticut and one of the attorneys had gone to Amherst, and they would talk to me a lot about law.

I was a file clerk. I was a high school kid making minimum wage after school, but they allowed me to digest depositions and attend court hearings with them to take notes, so while I was not doing the work of a paralegal I was getting close. And I was very intrigued by that work, and I liked the practice as I was seeing it through this very young, impressionable person's eyes.

After college, I took a year off to work in the admission office at Amherst. I was what they called a green dean, and it was a wonderful job. I did a lot of recruiting for Amherst, I read applications, I gave presentations, I met with parents, I met with students. It was a perfect job for an extrovert who actually loved her college.

And I had this naïve notion that I would take this year off to determine whether I wanted to follow the path of law or education administration, and I thought, well, there's no bad

path, very Robert Frost of me. I thought, I can go down either of those two paths and they will both take me to a good place. I didn't quite realize just how deep in debt I would get by going to law school, but I did the one for one year and then did the other, and I enjoyed law school.

**WT:** This is NYU?

**GW:** This is NYU. I went to NYU, and it's a terrific school with amazing faculty, and I got as much out of it as I think anybody could. I really enjoyed it. I did journal work, I did volunteer work, I did a little bit of soup kitchen type work. There was sort of social action work that you could do, and I was in the Environmental Law Society. I edited a journal, really felt like I took full advantage of it.

But pretty much in the beginning of my second year I questioned my choice to go to law school, not that it wasn't a good experience but it wasn't what I thought I wanted to do. And I regretted having more than doubled my debt in the space of a year and was looking at quadrupling my debt because I was a blue collar kid, and while I did get scholarships both from Amherst and from NYU I was taking out a fair amount of student debt. So I just decided that I would apply myself and get my law degree and work to pay off my debts and then decide where I wanted to go.

**WT:** Did you have any notions as to what sort of law you would be entering when you got out?

**GW:** I didn't, and I hadn't studied very much securities honestly, so I had a lot of the traditional law school courses and they led me to working in the litigation group at Hogan & Hartson, now Hogan Lovells. I was drawn to Hogan & Hartson by the range of work that they did, and they had a very, very strong commitment to community service and CSD, Community Service Department, and all the lawyers that I met there were just fabulous. And I did a couple of rotations in administrative law and ended up settling in litigation.

**WT:** Is this still in New York?

**GW:** This is actually in Washington, D.C. The first summer that I was in law school I went out to Colorado and I was a summer clerk for Morrison & Foerster, and loved Denver, loved Colorado. I very much enjoy hiking and running and I did all those things when I was out there. The Bar seemed like a really good group of people, and I was in a good firm, a small office of a large San Francisco firm, so it seemed like a nice fit. I would have gone back to Colorado the following summer and probably after law school, except that my dad became very ill that summer and then died later that year and that was what drove home for me that I really didn't have very many relatives in this country, in the U.S. Most of my relatives were back in Ireland, or the relatives that I did have were here on the east coast.

So that's what led me the second summer to look at opportunities in Washington, D.C. I really enjoyed New York, but it never felt like a full-time home for me so I was looking

for someplace that was a little bit smaller, and I enjoyed Washington, D.C. when I came down here. I wasn't driven by politics. I was more driven by a sense of community, and I felt like there were a lot of smart, good people, and that you could work hard, play hard, and volunteer hard, and that was important to me.

**WT:** Going through this process, did you have any mentors or role models? We're interested in your perspective as a woman, or in general, for that sort of question.

**GW:** At this stage in my career there weren't very many mentors. There were people at Hogan & Hartson who gave me a lot of really good advice, mostly taking care of yourself and promoting yourself. I wasn't raised to do that. My parents were much more hands off, and I think I benefited from the fact that there wasn't a straight path, an identified path for me that I was meant to go down. I was free to choose a whole lot more what I wanted to do.

But so at different points along the way there were women that influenced me. When I was in the admission office at Amherst there was a lovely, lovely woman, Amy Johnson, who I stayed friends with after I left, who was very much a free spirit and focused on women and the development of women. At the time that I went to Amherst, I entered in 1981 and left in 1985, in 1980 the first class of women to go all the way through the college all four years, graduated. The first female to graduate Amherst graduated in 1976, and the first full class that had women admitted as freshmen students graduated in 1980.

So the campus very quickly reached an equilibrium but women at Amherst were new, and Amy was a big proponent of bringing strong women to the campus and supported me in giving presentations to the alumni and working with the college on programs that went outside my work in the admission office, so that was really important.

**WT:** Going through Amherst and law school, I mean this is in the 1980s; you get your JD in '89, correct?

**GW:** Correct.

**WT:** Right, so was it your experience, then, that things had become fairly egalitarian by that time as far as men and women were concerned?

**GW:** I remember when I was sitting in the convocation for NYU my first year, and I believe that my class, the class of 1989, was the first class for which there was a majority of women and that was so exciting. And there were so many wonderful law professors, Sylvia Law, Joan Silverman, that I really looked up to and was able to take a lot of classes with, but I didn't have as much interaction with them I think because I was less engaged in the law and I was questioning my decision for part of the time that I was at the law school.

So I came to love the law when I was working with Hogan & Hartson, and when I went to the SEC, that was when I really felt like I found a niche that worked for me. But if you look at my career path, I veered off the beaten path for lawyers by going into the realm of investor education, and that was very much driven by the friendship and mentorship with Nancy Smith who was probably one of my stronger mentors along the way in my legal career, and it was less law and more investor protection.

**WT:** I'm definitely interested in this shift and we'll be sure to talk about it quite a bit, but before we leave Hogan & Hartson behind could you tell me a little bit about what kind of work you were doing there?

**GW:** Absolutely. I rotated through a general administrative practice when I first joined the firm and then did a stint in the environmental law section, and then I started working on a litigation team with Jim Hourihan, and Jim was phenomenal. Jim gave me a lot of responsibility and a lot of freedom. I did product liability defense work and within four years, going on five years, that team—there were three primary lawyers that I worked with who were partners—gave me a lot of responsibility, taking depositions and defending depositions.

And we were a coordinating counsel for a large automotive company and we were doing seatbelt and restraint litigation, so there wasn't a lot of opportunity to actually do hearings and motions practice and trials because the local counsel in all the states where there was litigation would handle that. But I just felt like I really came into my own as a

lawyer and figured out what was important, to be engaged on some intellectual level, to feel good about the work that you're doing and to have quality people around you who are doing that work, and that's what I found at Hogan. It was brilliant that way.

**WT:** So subject wise, then, it was just a lot of litigation in the economics sphere, I guess.

**GW:** Exactly, litigation, product liability defense. One of my favorite rotations was through the Community Services Department and I worked with Jack Keeney and a couple of the senior associates who were managing that program. An attorney by the name of Patricia Brannan, who now heads up Hogan's D.C. Community Services Department, got me very, very interested in that field. It was just a fabulous rotation, and that was more civil rights work that we were doing, but again, it was all litigation.

**WT:** Did you have a notion then that you were going to stay there? You were there for five years.

**GW:** For five years, yes, and I came to a crossroads where I had paid off all my student debt, so I had paid it off early, and with lots of lessons learned that I took with me into my next career, but I know we'll get there later, I wasn't sure that I wanted to continue doing litigation. There were aspects of it that I liked and there were aspects of it that I didn't like. Many litigators will tell you that at its worst the work you do is writing a nasty letter that you attach to a nasty motion on behalf of a nasty client. I didn't feel like my clients were that way—don't get me wrong. But I felt like there was more that I could do.

I liked solving the puzzle. I liked thinking about how disputes came to be and where the resolutions were, and I didn't see myself going down that path in private practice.

So I wanted to take what I loved about what I was doing and apply it differently, and I talked to a friend, Mary Houle, who was working at the Securities and Exchange Commission and she strongly encouraged me to come. So it was very much enforcement staff level that brought me there.

**WT:** Did you know her professionally, or just personally?

**GW:** I knew her through a circle of lawyers in Washington, D.C.

**WT:** So moving onto the SEC, then, unless there's anything else you'd like to chat about there. Okay, so you come to the SEC. Was it a major cultural difference then, arriving at a regulator versus a law firm?

**GW:** It was a pretty substantial difference, but what I found is that you had instantly more responsibility even than I was able to have at Hogan & Hartson, and I was very lucky in the group that I was working with. I was managing my own cases and I had a lot more autonomy. Laura Singer was the assistant director in the group that I was working in, and she did a terrific job championing her people. And I investigated cases that ranged from accounting fraud and cooking the books to fictitious securities, prime bank securities, so I really ran the gamut with the cases that I handled.

And there were several that were challenging. One was a massive muni bond case where we were looking at disclosure issues and also some pay-to-play issues, so I got a depth of experience that I don't think I would have gotten any place else, and again, a fair amount of autonomy.

**WT:** Things like pay-to-play were very big in what the SEC was attempting to accomplish at the time, of course. Did you feel that level of policy filtering down to that level in the enforcement division?

**GW:** To some extent I did. I mean, we had meetings from time to time with Paul Maco who was then the head of the municipal securities group and we knew that it was a priority of Chairman Levitt's to prosecute these pay-to-play cases.

**WT:** Going back a little bit, coming into the enforcement division, was that the natural place for you to go, having had the litigation experience at Hogan & Hartson?

**GW:** That was how I viewed it, and I viewed it even more as a place where I could do what I loved about litigation without having to do what I hated about litigation. And so there was only one time that I ever remembered where I ended up writing one of those heavy-handed letters that one does, but otherwise I was able to dig into investigation and I loved that. I loved taking testimony, I loved researching the law to try to figure out where the intersections were with the standards and the behavior that I was finding, applying that

analysis, but it didn't feel like that load of discovery and document review that you often get when you're a junior associate at a law firm. I felt like I controlled what documents I was seeing and I was able to build the case piece by piece. I wasn't just filtering information to somebody else that was going to use it or not use it. I was the person that was in charge of those investigations.

**WT:** As a senior counsel, did you have authority over a team who had responsibilities under you?

**GW:** That wasn't how it worked at the time. It was more a reflection of the level of experience that I had developed.

**WT:** Right, and was there a division at all between investigation, were you more on one side or the other of that process?

**GW:** Very much so, and I don't know whether the SEC continues to have this dichotomy but there was a dichotomy between the investigative team and the prosecution team, so the trial unit would take over the cases once the investigators had brought them to a point that there was going to be litigation. And sometimes it was frustrating, because if you lived quite so close to the case it was really hard to hand it over to a trial attorney who didn't live and breathe the documents and didn't know if the judge asked an off-the-wall question, which I saw happen in some of my cases. I just wanted to jump up from the

back of the courtroom and say, "Wait, we have the answer." So that was one thing that was frustrating, but it was really the only thing that I found frustrating.

**WT:** What was the process of how cases originated? How would they land on your desk, so to speak?

**GW:** Well, it was a fascinating process. Sometimes they came out of the Corp Fin reviews and the reviews out the field, the exams that a team of people would find something that didn't look quite right and they would hand it over to the enforcement team to further investigate. Other times it was an attorney or one of the assistant directors or associate directors seeing something in the financial press that didn't make a whole lot of sense.

The accounting fraud case that I was working on came from somebody spotting a restatement. There was a little squib somewhere, I believe it was in *The Wall Street Journal*, about this small little company restating its earnings and that then became my case.

So the fraud cases came in a variety of ways. They often came in through the office of what was then Consumer Affairs but became Investor Education and Assistance and then Investor Education and Advocacy. Complaints would come in from the field offices as well of just wacko schemes that were being perpetrated. And the final way, as I was leaving enforcement, that was right around the time that John Reed Stark was setting up the Office of Internet Enforcement.

**WT:** You left in '97. I have it down here, is that correct?

**GW:** Yes, '97. I think it was '97-'98 that he was starting to do that, so I remember, it was back in those days we all shared offices, one of my office mates was good friends with John and they would come in and talk a great deal and right around the time that I was going to OIEA John came up with a template in consultation with some of our fourth floor enforcement pals for the Office of Internet Fraud. I had no hand in it. It was always fascinating to hear the stories.

**WT:** Especially that early on in things. I mean, people were just moving from AOL and the bulletin boards and all that stuff.

**GW:** I remember when people were talking about the World Wide Web as “the thing,” and that was back in '94 and '95. Yes, it was incredible.

**WT:** Okay, so let's move on then to the heart of your career, as it is, investor education. So tell me a little bit now about what brought you over into that.

**GW:** Well, we were just talking about John Stark. John had met Nancy Smith, who Arthur Levitt brought in. She had been a state securities regulator in New Mexico and she had been on Arthur's first Consumer Affairs Advisory Committee, and he brought her in to be

the head of the renamed Investor Education and Assistance. And John had connected with her somehow, and I think in connection with putting together his internet idea.

**WT:** Maybe it's logical here to go back then and talk about what was going on at the SEC with respect to the office. You mentioned that it had come over from being consumer – fill me in.

**GW:** Consumer Affairs. Yes, there was a point in time, and I don't know when it ended, I believe Nancy joined the Consumer Affairs Advisory Committee in '92 or '93, whenever Arthur started up and I just don't remember when that happened, and then in—I want to say '94 or '95 maybe—she came over to the SEC.

Previously, the Office of Consumer Affairs had been under the Secretary's office, and Arthur Levitt wanted to elevate that role and he wanted to focus on investor education. And so he reconstituted the Office of Consumer Affairs into the Office of Investor Education and Assistance, and Nancy's role was really to champion that investor education piece. I think it must have been like '96 or so that she came, because I joined the office about a year and a half after she joined the SEC.

**WT:** So the objective I guess is to be a bit more proactive with respect to guarding against fraud, rather than just always responding.

**GW:** Right. And one of the things that Arthur Levitt really embraced was all aspects of investor protection. Part of it is disclosure, part of it is enforcement regulation, and part of it is reaching out to the public, and he recognized—in a way that I think really shaped OIEA—that OIEA had a role to play, not only with answering consumer calls, and at the time the phone was the primary vehicle that people would use to contact the agency, but answering those phone calls and dealing with investors.

He also thought it was important to be proactive with information that investors could use to protect themselves, not only against fraud but against costly mistakes, because failing to read the disclosure that's available, failing to compare costs, those can create costly mistakes for the consumer or for the investor. If you have two funds and you don't take the time to see what the impact of fees over time will be, which is available from the disclosure information, then you've really lost an opportunity to make the better investment, because everything else being equal, one fund is going to cost you a whole lot more.

But Arthur saw that there was a way for the agency to take a lead role in educating the public. It was also a brilliant public relations move because he wanted to get out and be seen by the public, not only by the issuers that already knew the agency, or by the broker-dealer or investment adviser community, the exchanges from which he had come. He wanted Jane and Joe America to know that the SEC was the investor's advocate, that the SEC was in your corner, and at a time of a real transformation of the capital markets moving into electronic trading in a way that hadn't been previously been so easy,

electronic disclosure through EDGAR. Remember that at that point EDGAR was fairly new. He wanted to champion the distribution of that information to the mainstream, and that was what he brought Nancy Smith in to do and that was what Nancy Smith encouraged me to pursue as my career.

**WT:** What was this with respect to the push for plain language? Was that earlier than this?  
I'm not quite placing it.

**GW:** The push for plain language was right around 1997 and 1998.

**WT:** But after that even.

**GW:** Yes, so it was after I left enforcement, but right around the time that I was leaving enforcement, because when I first came to OIEA, I'm not entirely certain I remember that Nancy was working on plain language, but I'm pretty sure that either at that time or shortly after she started working. There was a whole plain language working group, and Ann Wallace was in Corp Fin at the time and she was working very, very closely with Nancy Smith, and Nancy was working with, I can't remember the professor's name up at Rutgers. It's just escaping me right now but there was a terrific – I can't remember it, sorry – and Siegel & Gale, and just doing like the whole Plain Language Handbook, and again working closely with Corp Fin primarily but also with the other divisions on getting the plain language rules in place.

**WT:** Excellent. So now we have a nice context for your move over there to make sense. Now that I've distracted you for a good five, ten minutes on that, could you tell me about it?

**GW:** I first heard about the opportunity through John Stark who had connected with Nancy Smith on the Office of Internet Enforcement, and he came to learn that she was looking for someone to be something like a chief of staff. That wasn't the position, but something like that, someone who could do investor education but could also work with her on policy and help her with some of these initiatives, like the plain language initiative and some of the other programs.

And I interviewed with her. She gave me a writing assignment, and I don't remember exactly what the writing assignment was, which is a little bit embarrassing that I don't recall now, but it was one of these make a legal case for something, and so I did. It related to exams, it was for-cause exams and it related to consumer protection, but I just don't remember what the exact topic was. But she was really just testing my writing and she was testing my legal mind, and we hit it off very well and I came on board and started helping her with putting together investor education programs and also advising her on plain language and other initiatives that were coming down.

At the time that she was involved in the plain language movement, there was a Clinton administration-wide initiative to get plain language to be the norm across the government. Al Gore was very involved with it, and Nancy's shop won one of the early Hammer Awards, breaking through the jargon and the legalese. And I don't know who

came up with the name “hammer,” but it was a great image. And so it was really an exciting time to be there.

**WT:** So, how did this fit within the broader framework of the SEC? Obviously, as you’ve mentioned, it had a lot of support from Arthur Levitt. Was there a lot of interaction with the other divisions in your day-to-day work?

**GW:** There was, because what we were trying to do, we became a very public face for the agency and so OIEA was organizing the investor town hall meetings that Arthur Levitt was using to become very public facing, but we were also issuing investor alerts and content on the SEC's website. The SEC's website, at the time, was very new and there wasn't a lot of content, and so we worked on a strategy to make the information that was on the SEC's website more accessible and understandable and more helpful.

We worked with an outside consultant, a company that was then known as Broad Daylight, to create an FAQ database that people could use, so that instead of investor assistance specialists taking all these calls there would be an online database. And now that sounds so old-hat, but at the time, back in the late '90s, that was the latest and newest technology.

And so we were looking for technological solutions to streamline work within the office, but also give a better public face to the agency. We knew that the issuers' industry knew us but consumers didn't, and we wanted to encourage people to come to complain to the

SEC if they had problems so that that would then feed the work that OCIE and enforcement were doing. And we tried to develop, and I believe successfully developed, strong relationships with each of the divisions but particularly with enforcement and OCIE so that there was a two-way street in exchange of information.

And part of that was also working on systems within the agency for communication across departments. But anytime there was an investor alert that we were putting out, or any kind of educational piece, we would always work with the other divisions to make sure that it was accurate and appropriate, but we made sure that it was accessible for consumers.

**WT:** What was the background of the other people who were in the office? I mean, was it largely lawyers like yourself or was it more of a mix?

**GW:** It was more of a mix. Many of the consumer affairs specialists, which became investor assistance specialists, had very diverse backgrounds. Some had law degrees, some had college courses and some had just graduated from high school, so it was really a mix of backgrounds.

On the education side, we had more lawyers in part because we were not only doing the investor education work but we were also serving as the investors' advocate in rulemaking, and so we would coordinate with other divisions when there was a significant rule that was coming down that impacted investors. I remember having

conversations with Brian Lane about redefining “accredited investor” and about what would be appropriate standards. So representing the investors’ perspective in those debates internally was very, very important, and it was something that I know Arthur Levitt valued, but then subsequent chairmen as well looked to the office for that kind of leadership.

**WT:** Returning to the theme of women in regulation, was it your experience at all that, particularly in interacting with a wider investment public, say in the town hall meetings, either yourself or other women who were in the office, was there positive or negative aspects to it or did it just not seem to matter?

**GW:** The gender issue didn’t seem to matter very much in the office. I mean, we were led by a woman. Ultimately it was Arthur Levitt who was on the stage, but he was the chairman so that made sense. But I didn’t really see that it made much of a difference.

**WT:** Okay. So, how would you say the work came out proportionally, as far as doing things like giving investors very basic information versus, say, more sophisticated interactions, having to deal with more complicated issues versus basic investor education I think is the best way of putting it.

**GW:** One of the things that we focused in the office in the early days was getting very basic material out there because there wasn’t high quality, unbiased information out in the field,

and so that was a place where the SEC felt like it could be a leader and to get that baseline information.

The other reason that we focused on very basic information was because when we looked at the universe of investors, above a certain income and asset threshold individuals had advice. They had brokers that they were working with, or advisers that they were working with, financial planners that they were working with. We wanted to serve the Main Street America that didn't have that kind of advice. We wanted to serve my parents. So that was what we focused on. However, we also focused on more complex areas like trade execution and we worked with the divisions on getting that kind of information out as well, but we had a base of basic information first and so that's where we focused.

We also engaged a lot with state securities regulators and with our international colleagues. And so in 1998 we did a massive hemisphere-wide campaign called "Get the Facts on Saving and Investing." We had a week-long program where we were working with securities divisions internationally to get the word out about investor protection through investor education so there was a lot of very basic work initially.

But then it became increasingly complex, and especially when we got to a point – this was while Chairman Donaldson was at the helm and going into Chairman Cox – where we were seeing GSEs having issues, and we were seeing collateralized debt obligations becoming more concerning, as we were looking over the mountains around the corners,

all that, looking ahead of the curve. Trying to stay ahead of the curve, we saw that there were more complex instruments that investors needed to better understand and so we took steps to get the word out about that.

But really we went from a basic sphere to then focusing on technology, and that technology expert database crossed all the divisions so we were working with all the divisions on the responses that were part of that database, and then getting into sort of that 2002 to 2006 space we saw a lot of complex projects emerging and dealt with those as they came up.

**WT:** When you get into the complex products, one of the great criticisms was that the people who are dealing them didn't fully understand them and the risks involved with them. Was there a level then of approaching people at the more sophisticated level, or did the attention remain on the more ordinary investor?

**GW:** With respect to the complex products, we weren't really focused on the ordinary investor because at that point very few of them had been down to that level of retail, so we were working with the divisions to better understand them and advising on sort of what seemed appropriate with understanding these products. We were trying to get our hands around them too. And so folks, senior level people from the various divisions, were talking to investment banking firms to understand what these products were and how they were being sold.

And in my office, we didn't have as much of a concern because we weren't seeing the retailization of these products. We were seeing, though, things like ultra short funds being marketed to older investors as the market would rise and fall, and we saw a couple of blips in trading. We saw in '97 there was a market gyration, and then of course in '99, 2000, 2001, the Asian flu and the dot-com bubble bursting. What we focused on during those years was more avoiding some of the fraudulent scams that came up. Be cautious as the bubble is filling, and be very, very cautious when it bursts.

**WT:** Do you notice, I guess, a change in the requirements of what you do, when you're in a period of particular exuberance with the dot-com bubble for example? Or to approach it from a slightly different angle, now that so much information is available on the Internet, do investors believe themselves to be more savvy than they are along with commercials' talk of people doing their own trades over the Internet because they have the "analytics" available to them and that sort of thing. I mean are those issues that you notice?

**GW:** Those are issues that I'm concerned with every single day in my job here at FINRA as head of investor education and leading up the foundation, and through the foundation, we've done a lot of research into the psychology of investing and better understanding why investors behave the way they do, understanding how some consumers are more apt to fraud than others and really getting at the nub of why.

And when it comes to investment fraud, what we see is that cons use persuasion in a way that is so sophisticated. It's really easy to say "if it sounds too good to be true it probably

is,” but as many smarter minds than me said first, if it sounds too good to be true, you're dealing with an amateur. Cons can make something that is absolutely false, that is made of thin air, look good, feel good, smell good, and be desirable to you.

And so we try to understand the psychology, that emotional investing component. What are the biases that investors bring to the decisions that they make? We all have biases.

I'm not talking about bias in sort of the vernacular sense that you hear about it, racial bias or gender bias, but more of these like inner behaviors.

**WT:** Or what forms of flattery are people –

**GW:** And beyond flattery. It's really sort of the psychological influences. We all have biases.

Some people have a left hand bias; some people have a right hand bias. There's a concept called affirmation bias, why do people throw good money after bad? Well, if you made an investment in the first place, you believe in that investment and you believe that if you just give it a little bit more money or a little bit more time it will pay out in the end.

That's affirmation bias working against you.

Other biases that people bring, there's a fast thinking bias that we've studied through grant funding to researchers where, if I start speaking really quickly you will start getting very excited, and if I tell you that you should do something you will get into a heightened emotional state that's very much in the kind of emotional side of your brain rather than

the logical side of your brain, and you're more likely to make a decision that isn't in your best interest, but you'll feel good about it because you made that decision.

The halo effect, you wore a suit today, I wore a dress; we look like professionals. We believe one another, but if I came in my shorts and flip flops you would be far less likely to listen or be persuaded by anything that I say. And maybe our discussion isn't the best example, but if I went to a town hall wearing a designer suit I would be more believable to that audience than if I wore capris and a T-shirt. That's the halo effect. So the very same person, if you tell someone that they went to an Ivy League school as opposed to the local college, you may trust them just because you're impressed on one dimension, their education, and yet it's the same person, the same advice.

And we've done field experiments where people give more money to that person wearing the suit than they do to the person wearing the polo shirt. They're more willing to invest. Halo, that's all the halo effect. And there are other biases that enter into investing and that's what we've been studying through the foundation.

**WT:** This is the FINRA Foundation?

**GW:** The FINRA Foundation.

**WT:** Which is fairly new, is that correct?

**GW:** Ten years old this year. Yes, December 2003 is when it was first launched.

**WT:** Obviously it wasn't the FINRA Foundation at the time.

**GW:** It was NASD Investor Education Foundation, but we've been around for ten years. And the field of financial education is relatively new, and when Nancy Smith first joined Arthur Levitt's Consumer Affairs Advisory Committee back in '94 it was brand new.

**WT:** That was kind of the origins there, at the SEC?

**GW:** That was the origins. The SEC truly was a leader in financial education, investor education, and for a long time was very focused narrowly on that investment education piece but then broadened out to more financial education, understanding as many of us did, that investors are a relatively small segment of the consumer population, consumers of financial services.

Now, many Americans are investors, whether they know it or not, through their 401(k)s, and because so many people are investors without even really understanding that they are in the market. That's why we feel it's all the more important to tap every resource we can and focus on every distribution channel that we can to get to as many Americans as possible so that they understand how markets work. They can make better choices in their 401(k)s, if they have access to a 401(k), make better decisions about their IRAs if that's the way that they're investing for retirement.

**WT:** I'm fascinated by the studies aspect of things. So when you're doing a psychological study, do you have in-house people who do that or does that get contracted out? That's very interesting to me.

**GW:** We do a combination of approaches. We have given grants to researchers, typically at universities and sometimes consortiums. So in 2004, one of the very first grants that the NASD Investor Education Foundation gave out was to an entity called the Consumer Fraud Research Group, and it was Anthony Pratkanis at UC Santa Cruz and then researchers from AARP Washington State and the National Telemarketing Victim Call Center, and they were looking at that incidence of fraud study that I had mentioned before.

They analyzed hundreds of undercover tapes that had been made of fraud pitches, and they got these tapes from the Department of Justice. They listened to hundreds of these calls, hundreds of hours of cons making pitches. And they analyzed, they sort of deconstructed the fraud pitch and they broke it down. Professor Pratkanis at UC Santa Cruz had the sort of persuasion knowledge to sort of bucket the different techniques that cons were using under these persuasion flags, and there are a number of researchers in the social sciences and psychology that have been studying persuasion.

But what we found is that when it comes to investment fraud, compared to other types of financial fraud, the cons use more, in the aggregate, persuasion techniques and a wider

array, so investment fraud victims are particularly bombarded with persuasion. The cons use every arrow in their quiver to try to separate them from their money, and so we have now these five top persuasion tactics for investment fraud: phantom riches, social consensus, authority, reciprocity, and scarcity. Those are the five top ones that tend to be used in investment fraud, and from that we're able to devise interventions that help people become more aware of persuasion at work.

Now, that's a very long answer to a short question, do we have people in house? The answer is yes, but we sometimes do these grants to outside organizations, or we sometimes do it on a contract basis. And so in a completely different context here at FINRA, we have a coalition that we're part of with AARP and with the Retirement Security Project to try to foster automatic enrollment in 401(k)s, encouraging small to mid-size companies to adopt auto-enrollment and other auto features in their retirement plans.

And so we contracted with David Laibson at Harvard University, he's also with the National Bureau of Economic Research, to do some work on the impact of defaults and especially the stickiness of defaults and whether that changes by income level. And what we found is that at the lower end of the income spectrum individuals are less likely to change from whatever the default is. If it's 3 percent they stay at 3 percent, even if that's a suboptimal decision for them. If it's 12 percent—and there were some companies that had 12 percent auto-enrollment—if it was 12 percent they would stay at 12 percent, again, even though that's suboptimal. Most people that are making relatively low income

shouldn't be saving 12 percent in their retirement, they should be saving much less. And if they have debt, they should maybe be reconsidering their decisions.

**WT:** So what mechanisms do you have for knowing the impacts that your efforts have on the investing public, or investing publics as it were?

**GW:** That's the \$64,000 question. Evaluation is critical, and one quest that we're on is to understand what works in financial education generally and in investment fraud prevention specifically. And so the gold standard is a randomized control trial in the field where you're testing an intervention and you've got a sample against a control and you're able to see whether the intervention has an impact. And people have as likely a possibility of being accepted into the sample. That's the beautiful thing.

Those are incredibly expensive to do. They can be \$500,000 for a single intervention if you do it right. So we've funded one of those through the Investor Education Foundation. It was actually an analysis of the Stock Market Game, and it wasn't the stock market game that sought the grant funding, it was an independent researcher. What was interesting is, again, I told you the field of financial education is relatively new. Well, there is a now retired professor, Lou Mandell, who was at the University of Buffalo in the SUNY system, who had for many years done a biannual survey of high school students to see whether the growing number of state mandates for financial education, whether that was having any impact on the financial knowledge of high school students.

His question was really, did financial education in the schools work, and time and time again he found that high school students had a failing grade. So in some ways that was a call to action to fund efforts for financial education. But he kept seeing it over time that we didn't seem to be getting better as a nation, at least not when we were testing our high school students, but the one thing that he saw over time was that the students who tended to do better had been exposed to the Stock Market Game. And so that then led to the research question.

**WT:** Could you explain briefly the Stock Market Game?

**GW:** Absolutely. The Stock Market Game has been around for over thirty years, and it's a project that the SIFMA Foundation for Investor Education, formerly the Securities Industry Association Foundation, has been funding all this time. And what it is is a simulation that's delivered in typically high schools but also in middle and elementary schools, and it can be a ten-week, a fifteen-week program that teachers deliver either as some ancillary program after school or in the social studies curriculum, or they bring it into an economics curriculum, but it allows students to take a hypothetical \$100,000 and invest that money in the market.

There's a whole curriculum that teachers provide along the way, so there are skills and financial and economic concepts that the students are learning along the way, but it's fun. It's a game. And they work in teams, typically teams of four, and they make decisions about securities to buy and sell and the kid that has the most money at the end of the term

is the winner. Now, the Stock Market Game is played when the markets are up and it's played when the markets are down.

**WT:** Somewhat different lessons.

**GW:** Very different lessons, but what was fascinating about the study of the game, if you do an anecdotal study and just ask any of your friends, did you have the game, it's really only people that are younger than fifty that are going to even say yes because it wasn't out there too much before then. But people remember it, people remembered enjoying it, and so even anecdotally it's something that has impact. It just has a memory impact.

But this randomized control trial, because of the work that Lou Mandell had done that showed that the Stock Market Game seemed to have some kind of correlation with higher financial literacy scores. Learning Point Associates, which is now part of the American Institutes of Research, did a randomized control trial of the Stock Market Game and they had hundreds of classrooms that were participating in this game, they had thousands of teachers that had been surveyed, I believe it was close to 4,000 teachers that they surveyed, to see not only the impact of the game on financial literacy concepts, but the impact of the game on math progress as measured by questions that were extracted from the NAEP.

The NAEP is the National Assessment of Educational Progress, it's also known as the Nation's Report Card, and the idea was taking these questions, students who had been

exposed to the game compared to students who were not exposed to the game across a wide variety of classrooms, controlling for demographic factors, was there a difference, and the exciting news is that there was, both with respect to financial knowledge and with respect to math performance. And math performance is huge because moving the dial on math performance is difficult to begin with, but here you had a fifteen-week ancillary program. This isn't math. If you take the Stock Market Game, it may well be in social studies and maybe even in language arts, it might be an after school program, it might be during some sort of homeroom or study. It's not necessarily part of your coursework, but that intervention had an impact on math scores so it's really exciting.

We don't know enough yet about what works. We don't always know why, but these are the research questions that we are starting to focus on and others are starting to focus on. So the Federal Financial Literacy and Education Commission, on which the SEC sits, they are looking at these research questions. There's no money from Congress to do this kind of research, so organizations like the FINRA Foundation, the National Endowment for Financial Education, the Center for Financial Services Innovation, those kinds of organizations are engaging in the experimentation and the research that's needed to determine what works in financial education.

**WT:** These are all non-profit foundations.

**GW:** These are all non-profit foundations, and the FINRA Foundation is the non-profit arm of a regulator. NEFE is a private operating foundation that has a corpus of money that it's

able to spend down; it's a non-profit independent. CFSI is funded in large measure by financial institutions. So you have different realms, different sectors, but we're all really keenly focused, and others as well. There are academic centers of excellence, there's one at Georgetown that focuses on global financial education. Annamaria Lusardi, who's just a brilliant professor, is one of the people there that's doing a lot of really innovative work in trying to understand what works, and that's what we care about.

So going back to your question of how do you measure the impacts, well, you can do that kind of randomized control trial. You can do randomized controlled field experiments that come close. And so the investor protection campaign that I was telling you about, helping people understand persuasion, we actually did a field experiment that approximated a randomized control experiment, where using the knowledge from the research we enhanced an existing curriculum to bring in three pillars, risk, persuasion and prevention.

Risk, helping people understand what the victim profile is, it isn't the little old lady living alone. It's educated, often males, wealthy, high financial literacy, but very self reliant and over optimistic. That's the profile. Well, if you talk to a bunch of investors, guess what, you may as well be holding up a mirror. Anyone with any money is potentially a target for fraud. Persuasion, those five tactics that we talked about; prevention, slowing down the conversation, making sure that you don't get into that emotive state, that you stay in that rational state, asking questions, asking about registration. It really boils down to ask and check.

So we took that three-part curriculum and tested it. The way we tested it was pretty innovative. We were pretty excited about this, and I take credit because it was my idea, and I wasn't the one who was running the program at the time. But we delivered this risk persuasion curriculum in a community. We worked with AARP to invite people, so all the AARP members that were in this area were invited to this so everyone had an opportunity, within that small universe everyone had an opportunity to participate in the experiment. So it was random to that extent. And they could select to attend one of two presentations that we were doing. One of them was in week one, the other was in week two.

Well, in between time we had a proctored telemarketer call all of the attendees and ask them, they're basically pretending to be doing a survey and then say, "Hey, I've got some information about an investment that I think you would be interested in based on your survey responses. Can I send you some information?" So it was a relatively soft pitch, but the individuals that had already heard our persuasion lessons were 50 percent less likely to say yes than the folks that had not yet gotten those messages. And so we were able to demonstrate that the curriculum had an effect, and we did a similar experiment a year later with a longer lag period, because there is an issue that with education –

**WT:** The lessons wear off.

**GW:** Right, and there's a denigration but after a two to three week period, people still were 50 percent less likely to say yes if they had heard the messages. So it was pretty exciting to do that kind of testing. And you can always do pre and post if you're testing knowledge, but what you can't do unless you really structure, again, a very expensive experiment is track that progress over time unless you have the ability to look independently at people's financial behavior. And in our country, that's not something that we're ever likely to be able to do because that involves tracking credit scores, if you're looking at those kinds of behaviors, if you're looking at lending and credit issues or looking at people's brokerage and banking transactions, which we simply don't allow. Our regulations don't allow that.

So it's difficult to determine whether you've truly changed behavior. The best examples are in the retirement space, where through behavioral economics you're able to change people's behavior by changing their choices, and that choice architecture of telling someone that you will be automatically enrolled in the 401(k) that we offer unless you opt out, that means that you have higher enrollment rates. So that we're able to see, but in most other spheres the challenge is that you just can't get the data.

**WT:** We spoke a little bit before about your work in the context of moments of enthusiasm, in the market for example. In the wake of, say, a fraud scandal, Madoff for example, do you find that there's a particular receptiveness to your work at those times?

**GW:** There can be, but nobody likes the person who says Rome is burning. And Madoff, hindsight is 20/20, when you look at the Madoff scheme, people thought it's just steady

returns, it's just a hedge fund, no one questioned how it is that no matter what the market was doing when the Asian flu hit, when the dot-com bubble burst, those returns were a steady-Eddie, and they were modest compared to the dot-com highs of 33 and triple digit returns. You can look back and say all the warning signs were there, but when you're in that moment it's often very difficult to see. So trying to educate people about how persuasion works is all the more important so that people don't get into that emotive state where they turn the blind eye to guaranteed returns; guaranteed returns is phantom riches.

**WT:** Is it the case that you can point to, for example, some of the very high-profile investors of Madoff's scheme and say even these people have been fooled by these persuasion techniques that are used?

**GW:** And that's us using persuasion to persuade the audience that they should listen to us. So not only do we wear a suit, but we talk about that. What we try to do with investment fraud is demystify it in some ways and also make it accessible. There's no blaming of the victim. And the stereotype of investment fraud victims until really recently has been these gullible little old ladies who don't know a whole lot, who are lonely, and that's not the reality. And so helping people understand that it's smart people like you I think brings it home a little bit, because experts will tell you that when you feel like you're invulnerable, when you feel like you're above it all, that's when your defenses are actually at their lowest. Your intelligence isn't helping you at those moments. You've opened yourself up to persuasion because you think you can't be conned.

And when you start to realize that any one of us could and I need to spot persuasion when it's being used, we all use persuasion. It's used for good ends. It's used to get people to donate to charities. There have been studies done of those little sticky return address labels that charities often send out, and the nickels and the dimes that will be attached to the solicitation cards. We're a culture where, if I give, I have to give back, if I receive I must give back, and if you give me a gift I give you a thank you note. And that concept gets distorted, though, because when I, scammer Walsh, give you a free meal and an educational seminar, the expectation then is you give me not only your contact information but maybe ultimately your life savings. That's where persuasion goes awry.

**WT:** Do you find that there is much educational need in the wake of major legislation or rules changes, or is that a bit too much directed at say investment firms rather than investors, so Dodd-Frank for example, or Sarbanes-Oxley or something? I know the JOBS Act is actually fairly interesting insofar as there's the whole crowd resourcing element of things.

**GW:** That's right, and you raise a really good point. Whenever there are major changes you do need to let investors know as well as the industry, and FINRA, as a regulator, has regulatory notices and guidances mechanisms, training for industry that's able to carry out the industry piece of the equation, and my office's job is to educate investors. And so with the lifting of the ban on general solicitation that will go into effect in two weeks time, we've prepared an alert and also an infographic to explain how private placements work, what the lifting of the ban on advertising means, and who are accredited investors so that people understand how those concepts work.

One of the things that many consumer advocates fear is that there may be more fraud in the light of the crowdfunding legislation. I am agnostic on that. There may well be, but there may well also be opportunity; I'm not taking a position on that, but I will let people know that they're more likely now to hear pitches for investments that, if legitimate, they might not be able to get into and so investors need to understand that.

But those are very difficult concepts to accept, because if a fraudster is convincing you that this is a rare and undervalued opportunity, that you can get in on the ground floor of some new company or some new technology, and a regulator is telling you, well, no, you don't have the right income, you don't have the right level of net worth, it's that devil on your shoulder that's telling you no, no, no you can invest, don't listen to the angel over there. That's a very difficult psychological construct, and we've yet to see whether those fears will come but we're prepared to educate investors about that.

**WT:** So could you tell me a little bit about interactions with the media? I guess putting out investor alerts would be the most obvious point where that would occur. And in doing background research for these interviews we always look at the historical database of the *Wall Street Journal*, for example, and whenever you're quoted specifically it's never for your position on something, it's almost always in support of some story on some fraud, for example, that they're putting out. So it's different from how somebody else at FINRA or the SEC would typically be quoted.

**GW:** That's right. I'm not the person that would talk about a rule impacting a regulated firm, but I do a great deal of public speaking and speaking with the media and I like to think that there's always a feel good angle because I'm out there on the frontline of investor protection by virtue of helping the media raise awareness for investors about some of the new products, the new strategies, or the new scams that are out there.

And not all of our alerts are about scams. Many of them are about perfectly legitimate products, but products that have complexities and risks that might be less transparent than one would desire. And so my job is to break those products down and break the strategies down and identify the red flags of fraud so that investors can grasp those concepts.

**WT:** Do you think media pick up of the stories that you would like them to pick up, or is it oftentimes a bit too boring or something?

**GW:** I never consider my work boring.

**WT:** I know, you have a tremendous enthusiasm for it actually. I want to get back to the personal story too and how quickly that came in for you, but I'll let you answer the question first.

**GW:** Some alerts generate more media than others. We put out an alert on nutraceuticals and that didn't really go too far, but we put out an alert on marijuana stock scams just a

couple of weeks ago. Gold: about two years ago when gold was reaching its peak we were all over the news. And the marijuana piece has lasted for at least three weeks which is a pretty long time. And just yesterday we put out a research study through the foundation on fraud susceptibility, and I think yesterday I did fifteen radio interviews and a number of press interviews and it got widespread attention so we were really happy with the results.

It's important to have that neutral resource, and the media pick up on the stories when we issue our investor alerts but they often come to seek guidance on how something works. So either on background or for attribution, we'll walk a reporter through how, let's say, alternative mutual funds work, how complex products work. And it might be for a story that they're writing two weeks from that point, but we're able to give them that kind of background. And it's a homerun when you get quoted, for sure, but it's a homerun as well when the story comes out in a way that investors can make an informed decision.

Any story that biases an investor one way or the other with respect to a particular product doesn't really do a good service. And I'm happy to say that most of the stories I've been involved with don't come out that way, because for any investment product or strategy there's an investor for whom it's appropriate. The question is, is it appropriate for you, and what we try to do with all of the information that we put out to investors is break it down in a way that you can understand what the product or strategy is, how it works, what its advantages and disadvantages are, and what questions you need to ask before

you consider purchasing that product or employing that strategy and then where you can turn for help.

And we point people to state securities regulators, we point people to the SEC, to the CFTC, to the CFPB, the alphabet soup of regulators here in Washington, D.C. whenever it's appropriate. Sometimes things are outside our jurisdiction, but our Office of Fraud Detection sees a pattern of either an increase of incidents or just particularly bad losses and so we'll issue an investor alert on whatever that particular scam is and refer people to the FBI, the White Collar Crime Center, wherever it is that's appropriate.

**WT:** Obviously the Internet provides a lot more opportunity for reaching investors directly and that you've taken advantage of that here at FINRA, but to what extent do you find that fulfills its potential? I mean at the same time your average investor would not think, "I shall go to the FINRA website in order to educate myself on things."

**GW:** Exactly, and that's why we don't assume that people come just to us. There are actually a couple of answers to that question. One is that we do actually get a fair amount of traffic to our website, particularly for our tools. BrokerCheck and the Fund Analyzer, the Retirement Calculator, those are usually our big winners when we look at our monthly statistics.

**WT:** Do you think people come to those through Google, for example, or do they know where to go?

**GW:** We actually are able to track that, so some of it is that they come through Google. The SEC is a big referrer to our tools and other regulators, state securities regulators are a big referrer to our tools. And sometimes there'll be a media piece that in any given month would be a significant referrer. But people do find us through searches, so there's that organic reach that we have.

We also, through the foundation primarily, work with partners like AARP, like the Better Business Bureau, the National White Collar Crime Center, and we have a military readiness program, we work with military partners. We work with entities that have reach into their communities, and so either those partners will distribute our materials online or in print, or they'll distribute our messages through the presentations that they do. We work with those partners to get those messages out.

We also work in partnership in our grant making with libraries, and so library systems in the U.S. will use our digital information, and then also our print materials and our DVDs and things like that and they will distribute them. So things have a life of their own, and even libraries that we don't give grants to, you walk in and you'll see a display of FINRA materials so that actually strengthens that.

But the third way that we've been reaching out is, rather than assuming that people are going to come to [finra.org](http://finra.org), we go where they go. And so we have been working with Yahoo! Finance to get our content syndicated through Yahoo! Finance, and that's a

relatively new development this year that my team has worked on in conjunction with others here at FINRA to get going, and it's been a really neat success. We've seen that people that otherwise would never have seen our content are seeing our content. Thousands of people a month more are seeing our content on Yahoo! Finance.

And we want to strengthen those kinds of partnerships and look for other distribution channels, because you can't assume that people are going to come to the regulators. One joke that we used to tell at the SEC is that people thought we were the Southeastern Conference when you would talk to Jane and Joe investors, and that was always amusing but troubling. So we go where they are and we push through channels they're familiar with. People trust the BBB, people trust AARP, so we get those messages out through those channels.

**WT:** Is there a divvying up of responsibilities between the education arm of FINRA and, say, the SEC? Do you handle different publics or different messages?

**GW:** We work very closely with our colleagues at the SEC and it's been a terrific relationship. We have a narrower focus at FINRA as far as who we regulate, because we oversee brokers and brokerages. We don't have the publicly traded companies that the SEC has. However, investors are investors and so many of the issues are the same, and so the SEC is a partner in the FINRA Foundation's Investor Protection Campaign, and any given presentation that we might do you'll see someone from FINRA and someone from the

SEC, and often someone from the state securities regulator sharing the stage to get these very common messages across.

Collaboration is so key, especially with investor education, because it doesn't make any sense for any of us with limited resources to duplicate efforts. If you're going into a local community and the state securities regulator is there, that is the right source that they should be turning to, and if not, and in addition, they should know who the SEC and FINRA are because if they have a problem with a broker they need to come to FINRA. We can take action.

It just is so wonderful when we're able to work together like that, so sometimes we'll issue joint alerts together. But any state, for example, that wants to distribute materials, they might not have their own investor education budget, we're able to help them by getting our materials out there. And we've actually co-branded materials with NASAA as an umbrella organization, but then some of the individual states, we've worked with them to do customized material, which just makes sense. It's a resource allocation issue for all of us because when people have complaints and they are in that community it makes more sense to go to the local cop on the beat.

**WT:** I guess we're going to try to get back to the historical story and less of what do you do here, so following Arthur Levitt and his major interest in this area did you have a lot of interaction with other commissioners at the SEC? Was investor education something that they focused their attention on?

**GW:** I was very, very lucky to have supportive leadership at the SEC, and Harvey Pitt, who came after Arthur Levitt, was just terrific. My boss at the time, Susan Wyderko, and I concocted a scheme to create a fake fraud website, along the lines of what the Federal Trade Commission had done but we thought one way to kind of shock people into recognizing that they might be taken by a scam was to create a fake website, and then when you went to purchase you would get a warning message from the SEC.

Harvey Pitt was brilliant. He was supportive of that initiative. In fact, we worked with one of the newswire organizations to put out the press release about this company and he was willing to be quoted in that company press release. So it was just fabulous, that kind of collaboration and support and the ability to have some freedom.

Now, shortly after there were clearly some market gyrations and Sarbanes-Oxley, and that was when the Andersen collapse was happening, Enron was happening, and so there was a lot of concern that took us away from the investor outreach and more sort of working with rulemaking divisions on the rules that were coming out post-Sarbanes-Oxley.

But Bill Donaldson, same thing, very, very supportive, and if memory serves, we were working—again this was more the advocacy work—but on his watch the Office of Investor Education and Assistance was very involved with the BDIA, which is my shorthand and everyone else's shorthand for the rule proposal that came out as a result following the Merrill Lynch rule – should certain broker dealers register as investment

advisors. And he gave us the freedom – we went through the rulemaking process to have this happen, but – to do focus group testing of different kinds of disclosure on that topic. And it was pretty new for the Commission to be doing that sort of work. I believe it was the first time that we had been doing that kind of work, but that was the sort of innovation that we wanted to bring to the table in order to test out disclosures.

I'm a lawyer, my colleagues are lawyers and very, very smart, but I know because I know my parents and I know a lot of other people that aren't lawyers, they don't understand legalese when that's the disclosure. And so let's test something that will work, let's test to determine what works, let's not have preconceived notions of what an investor needs to hear in order to comprehend what we're trying to convey. Bill Donaldson gave us the freedom to do that.

And under Chris Cox, we did a great deal more for older investors than we ever had. It was on his watch that the first of the baby boomers started to retire and the SEC got very involved in initiatives that were aimed at helping protect older investors. So I felt incredibly lucky throughout my career at the SEC to have bosses, intermediate and chairmen, who really supported the cause.

**WT:** You mentioned much earlier that it was kind of unusual, I forget if that was your exact phrase, but for a lawyer to become involved in investor education. You clearly don't feel yourself to be in any sort of exile now.

**GW:** And I didn't then.

**WT:** Yes, you took to it very quickly, I take it. Could you describe kind of the process of getting into that area of doing things?

**GW:** Creative writing and public speaking, that's the four-word phrase for ultimately what I do now. It's a lot more now, but really that creative side that I've always had, the one that pushed the envelope in all the places that I've been is what kind of made it very easy for me to stray from the beaten path for lawyers. And when you look around at lawyers, a lot of people do go off that path. Entrepreneurs do it all the time, and I felt very entrepreneurial with this financial education space. Could I get a job tomorrow as a securities lawyer in a law firm? I think it would be a stretch.

**WT:** Out of it too long?

**GW:** I've been out of it for too long, but the policy, the research, the advocacy, the creative writing, the public speaking, there are lots of fields that one could move on to. Now, I think I have the best job in the world being president of the FINRA Foundation, but for me it was just so suited to my personality. I'm a natural extrovert, I love working with people, talking to people, understanding what's in their mind, how they're reacting to something I say, and I think that's part of the educator in me.

In high school, I remember there was some exercise that engaged the parents. I think it was a test to see how well you knew your teen. Back in those days they weren't terribly elaborate, but the question my mother responded to is what does your child want to be, and my mother put down teacher, because all to that point and even beyond, my early years in college, I always thought that I would be a teacher. And it wasn't until I did more work with the law firm that I was telling you about, that small law firm in Hartford, Connecticut, that I decided I wanted to be a lawyer.

But I always wanted to be a teacher. I was the older sister that was reading to my brother. I was the older sister that would make up these incredible fantastical stories that would get us through four hours of driving on a family vacation in the back of the station wagon. And that's what I do now, except it's not just silly fun for a younger brother. It's important information for my younger brother and my older sister, and your sister and your spouse and your parents, and everyone else's relatives. There's so much people don't know about investing, and it's critical that they understand how markets work so that they can weather out the kinds of storms that we had five years ago and ten years ago and fifteen years ago.

**WT:** A bit of a technical question, I suppose, so when the Office of Investor Education and Assistance, when Assistance became Advocacy, did that represent a substantive change or was that just a name change to more accurately fit what it is you did there?

**GW:** It was actually after my time.

**WT:** It was after your time, okay.

**GW:** Yes. So when I left it was the Office of Investor Education and Assistance, and I think about a year later it became Advocacy. And in some ways it was an adjustment of the name to reflect the actuality, because from Nancy Smith to Susan Wyderko to me, John Gannon, Lori Shock, all the people that were acting and otherwise within that office as the directors of that office, we were all investor advocates. That was our job, and it had many permutations. One was the actual hands-on assistance, dealing with the investor complaints and questions, making sure the technology supported that. It was the outreach, the education, creation of materials, public speaking, participation in partnerships that were fostering financial education.

I was there when the first iteration of the Financial Literacy and Education Commission got stood up and Cynthia Glassman, who I believe was then acting commissioner, was the first SEC chair to participate in that. We worked on the national strategy that that first commission was coming up with. That kind of outreach was critical.

But then also the behind-the-scenes work, like advocating for results, not always winning but advocating for the right outcome for investors whether it was defining accredited investors, determining what standards of care should apply to brokers and advisers, how you could have fee based accounts, having input into those decisions, overseeing 529s,

how 529s would be treated, those were all issues that came up on our watch and we advocated on behalf of investors, not just our personal view.

**WT:** Now, I see from what you filled out here for the course of your career that you started out as a special counsel to the director in the office.

**GW:** That's right. I believe that was my first title, and then I became the deputy, and then I was acting director and I was acting director when I left. I don't know if I put that in there.

**WT:** Yes, you were deputy director in 2001. No, you didn't put in acting, but you left in 2006.

**GW:** Yes, I left in 2006.

**WT:** FINRA was created the next year.

**GW:** FINRA was created the next year. That's right.

**WT:** Okay, so you went to the NASD predecessor then?

**GW:** Correct.

**WT:** Okay, so what brought you over there?

**GW:** Well, this goes back, and it's a little bit more personal, but back when I was in enforcement I used to go running with a group of people, and one of those people was John Gannon and John was in my section. He wasn't in my branch unit, but he was in my section and we used to talk about investor education when I moved over to the Office of Investor Education. He was still in enforcement, but he loved what we were doing at OIEA, and we would talk about having an investor advocate and how we really needed to – even then the germs were there, the seeds were there for an advocacy role within the office.

A branch chief position opened up in OIEA and I encouraged John to come join our office, and so he took that less-trod path, still a branch chief but a branch chief in OIEA as opposed to in one of the operating divisions. And he eventually left to come to NASD. When Nancy Smith left he became the acting director of OIEA and then went over, when Susan Wyderko took over the helm, he went in 2001, I think a week before 9/11, to NASD to get their investor education office off the ground.

And pretty much two weeks after 9/11 he started recruiting me to come to NASD and join the shop. He and I remain great friends, and I wanted to do what I was doing at the SEC. I loved it so much, but at some point I decided it was time for a change. I started that process of interviewing with John and met Elisse Walter, and knew that Mary Schapiro was at the helm of NASD regulation. I started that process before Susan became acting director of Investment Management and I became acting director of the

office. And I remember having a heartfelt conversation with John about what that meant, that I really couldn't leave the office in the lurch, but he eventually offered me the job here as his deputy and history goes from there. But Lori Shock had been someone that we had recruited and brought up and she has a circuitous path as well, but she is now the head of the Office of Investor Education and Advocacy at the SEC.

**WT:** Tell me a little bit about the relationship between FINRA and the FINRA Foundation.

You became the president of the FINRA Foundation in 2011, but you've been involved with it obviously much before.

**GW:** I had, yes. When I came on board in 2006 I was John's deputy, and I was primarily focused on investor education so that he could focus full-time on the foundation, then the NASD Foundation. I almost always end up saying FINRA Foundation because it's easier in my brain, it's baked there, but it was created in 2003, started doing grant making in 2004. In the fall of 2005, NASD Foundation, the court that was involved in the Global Research Analyst Settlement, that at one point, I believe two or four billion dollar settlement, directed that a certain portion of the fine money that had been earmarked for investor education be paid into the NASD Foundation and that that money be spent down over a ten-year window.

**WT:** If I can interrupt, the fact that it is a separate foundation, is that mainly for its ability to raise funds and to offer grants and that sort of thing?

**GW:** Well it's a 501(c)(4), so it is a grant-making organization that also does its own directed projects, very similar to a private operating foundation, but it's a 501(c)(4) so donors don't get any kind of tax break and that was the mechanism that the NASD's lawyers, I think, thought was the most expedient to set up the foundation. We don't do any kind of fundraising, so we're not a (c)(3).

Fine money has been payable to the foundation. There were a couple of notable fines, one against First Command Financial Planning, which was for sales abuses in connection with the sale of periodic payment plans to military service members, and so that money came into the foundation. It was \$6.8 million I think total. There were also fines against Fidelity for the same kind of activity that came payable to the foundation. The Global Analyst settlement money came into the foundation, but those have been the major fines that have come in. Other contributions have been cash contributions from FINRA that the FINRA board of governors directs.

But in 2005 this large sum of money was coming into the foundation, and that was a point where John and I had started talking. He really wanted to get somebody in to help manage the investor side, so he had tried to recruit me before, but in the fall of 2005, that was when it started. And in I guess May of 2006 I came to NASD, primarily focused on investor education but there was so much work to be done in the foundation because having been awarded this money, and then early in 2006 having received some of the funds with a ten-year spend in the court order, so we had a ten-year window in which to spend this \$55 million, we really needed to ramp up our programs.

So I had the luxury of being able to develop programs and so I architected what's now our investor protection campaign, and going back to those personality traits that we talked about, I loved being able to talk to different organizations that were serving older investors to see how best to fit into that space and not duplicate what they were already doing but to bring investor protection to bear and to figure out how to help people spot and avoid fraud.

**WT:** Do you find in your leadership role that you're still able to do that, to get out and speak as much as you would like to at various organizations?

**GW:** As much as I would like to, no, but often enough, yes, and I'll be going out to Seattle in a month's time to do one of these senior scam jams. That's their name, not mine. And there'll be several hundred investors, consumers, who will benefit from this information. And earlier in the year I was out at a Sun City retirement community and there were 400 people, max capacity for the room, of individuals that had come to hear us and the state representatives, so very exciting stuff. I am able to do that.

But I also talk a lot about the research that the foundation does. We recently back in May released the results of our financial capability study, which is a massive 25,000+ sample of U.S. adults, over sampling by state so that we get a nationally representative sample, on not only financial knowledge but how they manage their money, how they make the decisions they make about their money, what factors they consider, so really that whole

universe of capability as opposed to knowledge, making ends meet, planning ahead, making choices, and what you know, so I talk about that and I'll do research symposia.

In a week's time there's going to be a gathering of people that are looking at financial education mandates at the state level for high school economic and financial, personal financial education. There's been a lot of focus on the importance of integrating personal finance concepts into the curriculum and some states actually have a graduation requirement. But what do we know about how those mandates are being fulfilled, there's often a disconnect between mandates, especially at the state level, and implementation at the local level, and so we need to understand what the universe is before can figure out how to move forward. And so I get to do those kinds of things. I represent FINRA in public speaking engagements, and I also operate behind the scenes.

**WT:** About how big is the organization now? Has that grown over time? When I talk about the organization I mean the investor education and the FINRA Foundation in general, how many employees, that sort of thing.

**GW:** Sure. At its max we had fifteen; we now have twelve. But when FINRA, then NASD Investor Education first stood up it was John and two other employees. So we've peaked with the peak of the spending and now we've leveled out. And FINRA's committed to continuing to support the foundation, so I see no change in that. But we're a small shop. We run a lot of grants. We have about 100 active grants right now, primarily with library systems and with local United Ways all across the country, from Maine to Hawaii and

Alaska to Florida, and we have some research programs that are out there, also a combination of research and outreach.

So we're working with First Nations Development Institute, which focuses on Native Americans, and getting information particularly to young people about the per capita payments that they receive from the tribal nations each year. And most tribes have a trust set up for youth so that they don't actually access their per capita payments, and these are payments, royalties on logging rights, profits from gambling revenues if the tribe has a casino, there's sort of a mutual or communal distribution of those payments and they're called per capita payments. And they'll accumulate over a youth's lifetime until the point that he or she reaches majority, and at age eighteen they then have available to them the cash that has accumulated, and it's often tens of thousands, if not hundreds of thousands of dollars. And so First Nations came to us to develop an investing curriculum to help these students, really, these young people, understand what they could do with their money and how to make sounder choices.

So we do that, we work with the military, we work with women, we work with teens in high schools. We've got a partnership with Channel One and with the Consumer Federation of America to integrate compound interest concepts into homeroom programming because Channel One, if you're a Channel One school, and about half the middle and high schools in the country are, it's a TV programming arrangement with CBS News, it's run through ZelnickMedia, and it delivers content sort of by, for, and about the teens and it's one of the highest rated teen programs, television programs.

And so our thought was; there's a captive audience. We can integrate financial concepts into that programming. And we've done some pre and post tests against a control group to see whether or not those messages had impact and we saw that in fact they do. The students that are in Channel One classrooms are more likely than the control group to talk to their parents about money, about the family's budget, about saving wisely. Good stuff.

**WT:** Is there anything controversial that happens around here? You mentioned way back in the beginning that it's kind of the PR side—not PR, I don't mean that exactly.

**GW:** The public face.

**WT:** Yes, the public face of the SEC, and I guess FINRA as well, that it really showcases the side of the organization that's concentrated on the investor—so not to try and be too happy about it.

**GW:** But you're spot on in asking that question, because when you open yourself to the public it can't be a one way conversation. It becomes a two way conversation, so at every forum that we have, the equivalent of an SEC town hall, when we have an investor forum investors have a chance to stand up and say, hey, and then think of the worst question they could ask you. One of them is, "Why didn't you guys catch Madoff?"

**WT:** So you find that you end up fielding these questions.

**GW:** We end up fielding these questions, and you get the forty-five minute, if you let them talk that long, question of every single detail of their financial life. We cut those off within forty-five seconds because we're afraid people are going to divulge their bank account information. But you get the people that have been hurt somehow, somehow, and so you need to then, once you're off the stage, get down and talk with that person and find out what's going on and get them to the right place or take the information and take it back.

Every now and then there will be somebody who is with the industry, broker and adviser, I've had both, who is upset with a FINRA rule, or upset with something the SEC did, and they will ask the controversial, the investor education equivalent of "when did you stop beating your wife". But we take those questions because you have to, because if you open yourself up you need to listen. And it's important to listen. Whenever anyone else is on the stage, I write down the questions that the audience is asking. And when I'm on the stage I make sure someone is writing down the questions that the audience asks. The answer almost isn't as important. I want to remember what people are thinking about because then I can take that back and talk to people in the exam team here.

We share information across departments here at FINRA to better further our efforts. We work very, very closely with the Office of Fraud Detection and Market Intelligence which Cam Funkhouser leads, because they see front-line the frauds that are coming in and we interface with investors, either through our investor alerts, through our social media

posts, or through working with partners or going directly to the field. All of those mechanisms are ways that we reach out.

**WT:** Okay. Well, I think I've come to the end of my questions. I just would like to return to the theme of women in regulation. You mentioned that at Amherst it was very novel for women to be there at the time, and that at NYU you very conscious of being in the first class to be majority female, and of course in your career you've been in an environment where there has been many powerful and influential women. Is that something that you've remained conscious of throughout your career or is that just something that you don't think about?

**GW:** I'm always amazed at the mentors that I've had. Most have been women but some have been men. They've all been good people. So to me a mentor is someone who does look out for you and counsels you and guides you, but when I think about Nancy Smith and Susan Wyderko and Elisse Walter and Mary Shapiro as people that have been in my sphere that I've had the good fortune to work with and I see what they've done, I feel this immense pride. I'm privileged to have been in those circles where I could work with them.

**WT:** Terrific. Unless there's something else that we've missed, that's egregiously missing from our conversation.

**GW:** I'm an insane runner. That's it.

**WT:** Oh yeah? You do marathons, iron men?

**GW:** No iron men. I'm not an insane biker or a swimmer, but marathons, half marathons, and those 200-mile relays, the Ragnar Relays, yes, good stuff.

**WT:** Excellent. Well, thank you very much.

**GW:** Sure, thank you. This was fun.

[End of Interview]