

Securities and Exchange Commission Historical Society
Interview with Angela Carcone Goelzer
Conducted on October 17, 2013 by William Thomas

WT: This is an interview with Angela Goelzer for the SEC Historical Society's virtual museum and archive of the history of financial regulation. I am William Thomas. The date is October 17th, 2013, and we are in Washington, D.C.

So, thanks very much for agreeing to talk with us today. Usually we begin these interviews by doing a little bit of personal background, where you're from, if your parents had anything to do with the direction that you went in, sometimes people talk about that, and then we move into your education.

AG: Sure, I'd be happy to talk about that. I was born and raised in Providence, Rhode Island. Three of my grandparents were immigrants, and the fourth grandparent, my maternal grandmother, was the daughter of Irish immigrants. Neither of my parents, although they placed great value in education, was in a financial position to attend college. My mother's father died in the middle of the Depression, leaving her mother with five children. My father's family was a bit better off, but college was not an option for him. One of my cousins has a master's degree, one of the few members of the family to have gone on beyond college.

Yes, my parents valued education. I think as the only girl among four children—I had three brothers—it probably wasn't until I hit my teens that they recognized that, well, she

seems fairly bright so let's let her go as far as she'd like to go, within limits. I like to tell people my father said—and remember Rhode Island's a very small state—and my father said I had to go to college in state. And I don't come from a wealthy background. Providence College offered me a full merit scholarship and that's where I went undergrad and I had four great years there.

When I applied to law school, I was fortunate enough to get into some very good law schools, and ended up attending Harvard. Certainly, my parents were very gung ho that this was a terrific thing. And so it sounds a little hokey, but as the grandchild of immigrants, I believe that America does give you a lot of opportunities.

WT: Yes. You went into poli sci you were saying a minute ago.

AG: I was a poli sci major.

WT: Yes. Did you have an eye of going into law when you chose that?

AG: I did, and it's hard to explain how I chose law. It's funny, some of the choices you make in life, and this was a choice I thought of when I was about sixteen, and I for the life of me can't remember why I thought that would be such a good thing, except that I knew that I enjoy writing and I like analysis and figuring out the best way to make an argument. But I really, honestly, can't say that I had a very logical or pragmatic approach to: okay, how am I going to go about this? Donald Trump says some things that, shall I

say, may be rather kind of silly or foolish, but he said something once that I thought really was true, that to succeed in life generally you have to be pretty smart and you have to work really hard, but you also have to be lucky. And I feel that I worked hard, but I also feel that at various stages I was very lucky. I was very lucky that things worked out for me as they did.

WT: So, you finished at Providence College in 1977 and then you went directly onto Harvard. Could you tell me a little bit about Harvard Law at that time?

AG: Well, this was right after the movie *One L* had come out. I don't know if you remember that, you're pretty young, but it left me wondering how close could it be to life. It centered around a first year student at Harvard Law School and how the professors would call on you and humiliate you. So I was very, very excited, but I was also very nervous.

I think I had a headache the entire first week worrying about getting called on for the very first time – simultaneously dreading it and wanting to get it over with - because the professors did—I don't know if they still do this, but at the time I think every professor except one, Duncan Kennedy, a young professor, would call on you and would not take “I'm sorry, I didn't do the reading” for an answer, or “I don't know” for an answer. You could be grilled, and it could be embarrassing for people at times. But like a lot of things in life it wasn't as bad as you fear, and after a few weeks of getting into the rhythm of it, it was okay. I felt that I can do this, I'll be okay. And I remember the first time I was called on, just by happenstance I was called on two classes in a row and so I felt like

okay, I got it over with that day and I had answers I could give and the professors weren't too awful to me.

But it was a bit of a culture shock, I have to say, coming from, as I said, probably a lower middle class family, going to a small Catholic college, and then, suddenly, finding yourself in Cambridge, where it really was a different world to me. But of course it was a fantastic experience, and certainly if I had it to do over again I'd go there again. It was a terrific education.

WT: Did you have any notion of doing anything with securities at that time, or were you interested in any other kind of law?

AG: It's funny, and I'm sure we'll get to where I was and the divisions I worked in at the SEC later which sort of ties to what I'm about to say. When I was in law school—and I was fortunate enough to have had Louis Loss for securities regulation, and he was quite a professor—but I thought the subject matter was pretty dull. And I would always say I don't know what field I'll end up practicing in, but it won't be securities. I just think that it is as dull as can be. I will not be a securities lawyer. And, of course, as fate would have it, I have spent almost my entire career as a securities lawyer.

WT: So, you went on to a law firm then immediately after Harvard.

AG: Yes.

WT: Could you tell me a little bit about that and what sort of work were you doing there?

AG: Well, first of all, it's sort of amusing—and leaving the name of the firm aside or the people involved aside, because this was, after all, thirty-odd years ago—at the time I thought, I want to be a tax lawyer, and I was told that the head of the tax practice group didn't want to work with female attorneys, so I would be placed somewhere else. And at the time—I know it seems incredible—I just said, oh, okay. I accepted that. I was a little miffed, but I thought, oh, well, he's sort of an older man, and he was pretty elderly. He had had a senior position at the IRS, but, okay, maybe that's the way the world is.

I worked for various partners. I didn't enjoy it. I didn't feel as if I was learning a particular skill in any particular area of the law. For a while I was doing food and drug work, which actually was pretty interesting, and, after a while, I felt, well, I could go here, I could kind of develop an expertise here if that's what I want. But I have to say I was not enchanted with law firm life. It wasn't for me. I know other people thrive on it. For me it wasn't exciting. I wasn't excited going to work in the morning. It was a job, it was something I did, and I started to wonder, gee, maybe I made a mistake being a lawyer. I'm not really enjoying this. And then, do you want to hear how I got to the SEC?

WT: Yes, that was going to be my next question. You spent about three years there, I see.

AG: Yes. And I wasn't that crazy about it. Gee, I don't really like this. It seemed like a lot of drudgery. There were very few female lawyers. Also, it had gotten back to some of us that at least one of the partners—and I don't know that they all believed this because I'd have to say, if you produce good work people respect the work, and I didn't ever feel that people took a document I had prepared and thought, well, this can't be good because a woman wrote it. Never any of that. But someone reported to me at the time, so-and-so said let's face it, they're just going to work here till they have a husband who can afford the mortgage.

WT: That's fairly extraordinary. That's the sort of story you hear frequently about the '60s but not so much the '80s.

AG: Yes. At the time it was irritating. It definitely was a little irritating. And in the beginning they had their partnership meetings at the Metropolitan Club, which at the time women were not allowed to enter, but, be that as it may, I think really it was more that I wasn't enjoying the kind of work I had.

WT: What city were you in?

AG: This was in D.C., and another associate — with whom I've lost touch—but anyhow, she got a call from David Wescoe, who was a young staff attorney at the SEC in the Office of the General Counsel, and said, "Hey, do you know anyone who's looking to leave? We're looking for someone two or three, a few years out. They don't have to have any

securities law experience.” And so she came and mentioned it to me and I thought, well, what the heck, I’ll go talk to them. And I went over and interviewed with David Schwiesow, who then was an Assistant General Counsel, and Diane Sanger was there and Anne Chafer, they were all Assistant General Counsels on the counseling side.

I don’t know if you’re familiar with how the General Counsel’s office was structured then, and it may be now. There was counseling, which basically reviewed all the action items from the operating divisions, like rulemaking proposals and recommended enforcement actions. It was like a checks and balances; another set of eyes to look at what a division was proposing the Commission agree to. And then there was the litigation side that handled appellate litigation and district court litigation.

And so I spoke to David Schwiesow, and spoke to Wescoe about what’s it really like here, because he was a young lawyer. We were all in our mid-twenties, I guess, almost late twenties by then. And he described it and I thought gee, I always said I wasn’t going to be a securities lawyer but this sounds pretty interesting. So I went to the SEC, and it was one of the wisest moves I ever made.

WT: Could you tell me a little bit about the sort of work that you were doing?

AG: It was so interesting. And you have to remember this was at a time—and I think the morale at the SEC has suffered somewhat, how’s that for an understatement, in recent years—but I got to the SEC in April of 1983, and the morale of the agency was so high.

People were so energized. You just had this great sense of we're all a team, and aren't we lucky, we work for the best of the independent agencies and we're doing work to protect investors. That sounds kind of corny, but the morale, it was infectious. It really was infectious, and I found myself involved in all kinds of interesting things.

Every week there would be enforcement matters, so you'd read the memo prepared by the Division of Enforcement and see if you agreed with their legal theories, and you could find yourself working with the Office of Legislative Affairs on draft legislative language, or working with a division on reviewing proposed rulemaking. It just really ran the gamut. It was interesting. And you were able to really think about issues, unshackled by the billable hour which in my view often creates this tension within the firm: you have to have lots of billable hours, but on any one matter the client wants something done at the lowest possible cost, and that can be a monkey on your back. And not that we didn't work under tremendous pressure at the SEC at times, and things had to be done quickly, but time was taken to think about the implications of what we're doing and how will this affect other areas. And I loved that. That really appealed to me.

I remember within my first year, I honestly can't remember what the project was, but there was something that was a huge rush, and I had been there from like eight in the morning till nine at night, and when I was going home I realized I was less tired after a thirteen-hour day at the SEC than I would have been after eight hours in a law firm, which kind of was very telling to me.

WT: So you were on the litigation side, then, I take it?

AG: No, no, no, counseling. I was on the counseling side, so I would review, oh, if Corp Fin had a rule—I'm trying to remember. I believe at the time there were just three Assistant General Counsels in counseling, David Schwiesow, Diane Sanger and Anne Chafer, and they each sort of would specialize in different areas, but there would be a fair amount of overlap too. So I could be reviewing rulemaking from CorpFin or Market Reg. I don't recall doing too much Market Reg so that might have been something that was more handled by Anne Chafer or Diane Sanger's group, enforcement matters, legislation, requests from Congress, which we took very seriously and the Commission still does, so you gather the information, prepare a response to Congress. It would be a whole host of matters.

Every day could be different, or you could find yourself working on one big project for a chunk of time, but it was interesting and I got to do what I really enjoyed, which is a lot of writing and a lot of analysis of sitting back: well, okay, this is what the rule says—is that really what we want to accomplish? That sort of analysis is, to me anyways and I think to a lot of people, fascinating.

WT: Yes. It sounds as though there was quite a bit of interaction with the policy side of the SEC.

AG: Yes.

WT: Did you have much interaction with the level of the Commissioners?

AG: Some but not too much at that stage, because, remember, I was an absolutely green staff attorney. But certainly I would find myself in meetings with Commissioners and Division Directors. I can remember one meeting, the first meeting I was at with John Shad, who was Chairman when I first joined the Commission. He was quite a personality, very bright, very blunt. I remember the first time I had to go to a meeting in his office, and frankly I think I was petrified. He asked me a question and I don't think I impressed him very much with the answer, but there was some exposure to the Commissioners.

WT: Did priorities filter down, then, from the top level if what you were doing was policy oriented in some ways, was that felt?

AG: Sure.

WT: Perhaps I didn't phrase it very well.

AG: Yes, explain.

WT: Well basically, if you're dealing with matters that bear upon the overarching strategy of the Commission then that's set at a fairly high level.

AG: Absolutely.

WT: So if you didn't deal with them directly, then in some sense you must have had some sense of what the overarching strategy or policy was.

AG: Absolutely, because the Chairman in many ways then controlled the agenda. I mean he only had one vote among five, but he had a great deal of influence over the agenda and the priorities of the Commission. And that would in turn be communicated to the Division Directors who knew what the Chairman wanted.

I will say my impression of John Shad is that he was someone who could be persuaded, that he was not someone who said, "Well, this is what I want. I don't want to hear any discussion." My impression was that the Division Directors or anyone could persuade him to the point where he would say, "Okay, I see what you're saying, we will do that." I know of one instance I remember where I was a very young staff attorney, I influenced a Commission vote and it made me feel really great because I felt very strongly about it.

WT: Clearly it's a better situation than the law firm that you were at, but can you tell me a little bit about the proportion of women that were there—you mentioned several who were immediately around you—and also I guess the comfort of the environment?

AG: The environment there, there were many women in senior positions. There was a female Commissioner, Barbara Thomas, and there were women in senior positions in the General Counsel's office and the divisions. Linda Fienberg, who now is a colleague of mine here at FINRA, was an Associate General Counsel; Elisse Walter, lately a Commissioner and Chairman, was an Associate General Counsel; Kathy McGrath was the head of Investment Management. John Huber was head of Corp Fin when I arrived at the Commission but he was followed by Linda Quinn. There were lots of women, lots of women in senior influential positions, absolutely no sense that you were at a disadvantage or you were looked upon as somehow less than a male counterpart, absolutely none.

WT: Did you have any role models, men or women, coming up at the SEC, or we can apply that to your earlier time in law school as well if you like, or mentors might be a better word?

AG: Did I have any mentors - no one person that sticks out in my mind, but several along the way. Certainly, Linda Quinn gave me excellent advice. I was only in the General Counsel's office I think for about fourteen months and then I became legal counsel to one of the Commissioners, and when that ended I was trying to figure out what to do. I'm probably getting ahead of myself, but I spoke to Linda Quinn who by then, I think, was director of CorpFin, and she said, "Gee, I'd love to have you in Corp Fin, but you know what you should do? You should talk to talk to Kathy McGrath and you should go to IM." And I said, "IM, why IM?" She said, "Mutual funds are taking off and they're going to be more important in the years to come, and that is going to be a fantastic area,"

which, remember when I had said before in law school, I said I don't know what I want to do but I'm never going to be a securities lawyer, so then I end up at the SEC liking it.

In my first year at the SEC, I remember thinking I might want to go to one of the divisions, but I don't think I'd want to go to IM. I don't know what they do there, and I ended up in IM. Linda certainly was very helpful. Kathy McGrath certainly was a mentor to me and someone I looked up to, and I sought her advice. She gave good advice. She certainly helped my career at various junctures and was terrific. So I would mention those two.

WT: Just to structure our discussion a little bit, I only have down here that you were at the SEC from '83 to '91. You've mentioned you were at the General Counsel's office, then you were legal counsel to one of the Commissioners, but I don't have the structure beyond that.

AG: Sure. After I'd been at the Commission for a little more than a year, a new Commissioner, Charles Marinaccio was coming. He was coming from the Hill. He had a very senior position on the Senate Banking Committee staff I believe. When new Commissioners come on it was the tradition then, I think now—I might be wrong about this, there may be more of a tendency to take more senior attorneys as legal assistants now. Maybe I'm wrong about that, but at the time it was generally a pretty young lawyer with a couple years of experience. And it was well known that those were fantastically interesting positions and that it was a great thing if you could get one.

I interviewed with Lindy Marinaccio and he offered one of his slots. I worked with Barry Mehlman, who I believe came from Corp Fin, and that was just terrific. I mean there would literally be days I couldn't wait to get to work, and that's a pretty rare thing in life, even if you like your job, because I knew there was going to be this really interesting Commission closed meeting or a closed session, or there was going to be this controversial vote, and you saw everything. You just saw everything that went before the Commissioners and you got a sense of how everything worked together and how the priorities were set. It was fascinating.

WT: How long did you do that?

AG: Until Lindy left. He was filling out the term of someone else, so I think I may have only been a legal assistant for about eighteen months or so.

WT: Okay, gives us about the right timeframe anyway. So, what were some of the issues that were going through then? It sounds very exciting, but please elaborate if you can.

AG: This is awful. Now I'm going to draw a blank as to what was so fascinating. I seem to remember more of some of the things I was working on in IM.

WT: We can come back to it if you like.

AG: Yes, we can come back to that, because the Commission brought its insider trading action against Ivan Boesky in '86, by which time I already would have been in IM. Certainly there were some really interesting insider trading cases. I pulled some things to jog my memory.

I guess I have to say no one thing stands out in the time I served as legal assistant. I remember it all as one of the happiest times of my professional life. That it was something new every day, because the Commission then, there'd be a closed Commission meeting every week, often an open Commission meeting every week, although maybe not that often, and there were just various matters. The Commissioners had sharply different views on the appropriate scope of regulation and the role of government, but it was nonetheless very collegial for the most part. And so you'd be privy to their discussions, and whether it be an enforcement action, rulemaking, litigation, proposed legislation, it was all very, very interesting.

WT: Was Marinaccio one of the Democratic or Republican?

AG: He was a Democrat.

WT: Right. I did want to ask you, going back, that of course this period is known as a large period for corporate takeovers, for example. Did you ever have anything to do with that side of the affairs?

AG: Yes, now that you mention it, as a legal assistant. That was an important issue that would come before the Commission, and so, yes, you're correct. At that time I would have spent a fair amount of my time working with Barry Mehlman, my counterpart, and with Lindy, sorting through the initiatives, but my career ended up going off in another direction.

WT: Then why don't we talk about Investment Management a little bit? I gather that this is what your specialty was, then, moving forward. Maybe I'm wrong about that.

AG: Yes. No, definitely. It became my area of focus. Linda was no fool. Linda Quinn has passed away. She is, I think, revered by people who knew her. She was just tremendous. But I pulled some figures, these are from the SEC's annual report: number of active registered investment companies in the Commission's fiscal year '81, there were 1,574. By 1991, when I left the Commission, there were well more than double that number, there were 3,660. And, just to give you a sense, I just pulled how many are there now—I might not have the number—I think they're well into the thousands.

In terms of assets under management, I think in '81 investment companies had \$315 billion in assets under management. I think that number now is over fourteen trillion, if you count all sorts from mutual funds. And back in '81 maybe something like 3 percent of household assets would be held in mutual funds. I think that number is now closer to about 23 percent, if my figures are correct. That's from an Investment Company Institute report.

So what accounts for that? Certainly one of the huge factors is the growth over time, as you're probably familiar with, so stop me. In our parent's generation the typical pension was a defined benefit, and there's been a shift, gradual but relentless, to defined contribution plans where the participant typically has a say in how their retirement assets are invested. So that certainly has been a huge factor fueling the growth of mutual funds, unlike a defined benefit plan where you work for us for thirty years, we'll give you x amount a month till you die, and it's all on the company. You have no say about how your money's invested.

And there were recurring themes as mutual funds grew. It's funny, the world's changed so much when you think of high-frequency trading and dark pools and the globalization of the markets, but some issues remain, the issues we dealt with, and I spent a lot of my time there dealing with mutual fund disclosure. I believe the Commission adopted Form N-1A in 1983, if I'm correct, and that was a first stab, and that split the mutual fund prospectus into the prospectus, statement of additional information, and then there's also a part C, other information.

That was adopted in '83, but then there were very important reforms put in. I'm happy to say I was able to work on the fee table in 1988 that for the first time pulled together in one chart that an investor could easily read and understand, what are all the fees that I'll pay? When I'm buying the fund, is there a front end load, the annual expenses, if there's a 12b-1 distribution fee, the management fee.

1988 was also the year that we came up with a standardized method for the calculation of performance in mutual fund ads, which obviously is very important. As more and more average Americans look to mutual funds, if you had ads quoting performance that were calculated in different ways, it wasn't an apples-to-apples comparison, so certainly disclosure. And that continued on, and I believe it was in '98 the Commission adopted the Risk/Return Summary which is now part of the fee table, and the profile prospectus which really never took off, I think primarily for liability purposes because you couldn't incorporate the full prospectus into the profile.

And it continues to this day. Just a few years ago the Commission did some more revamping of N-1A to require everyone to include a summary at the beginning of the prospectus. Now, that sounds kind of dry as dust, but it really is an important thing for investors to have a way to get at information and to understand what they're buying, what they're investing in. I spent a fair amount of time on that.

WT: Given that more, I guess, common-type-person investors are becoming more involved in their investment decisions with 401(k)s and such, was there a sense that there was a need to address the particular needs of that sort of investor? I know later on, of course, there's the plain-language movement, but I don't know about at that time.

AG: Yes, there was certainly a great deal of concern that investors were not as financially sophisticated as one would hope. My involvement mostly was in trying to ensure that whatever disclosure they received was as simple and as straightforward as possible. I

can't speak to what investor education efforts the Commission was involved in at that time, but it certainly was a concern that people need to understand what they're buying.

WT: Did the market crash in '87 affect what you were doing there at all?

AG: I remember that day—perhaps not quite as vividly as my colleagues down the hall in Market Reg. I was in the Chief Counsel's office in IM at that time, and the lion's share of the work done regarding the market crash, I think, was handled by the General Counsel's office and Market Regulation, although certainly all the divisions were affected. Remember - this was before the Internet. There were some devices in Market Reg where people could monitor what was happening, but nothing like we have today. The market dropped 500-something points. It was 25 percent. Could you imagine how people would react today if the market dropped that much? It was huge. It was huge.

WT: It certainly showcases the vulnerability of....

AG: Of mutual funds, of any investment.

WT: Yes, mutual funds versus a pension, yes.

AG: Of any investment, right, correct, but remember, if you have a defined-benefit plan then you're vulnerable to the stability of the company's ability to pay it. But that, of course, is governed by ERISA as a defined-contribution plan. So, absolutely, the more

responsibility a participant has for how his or her retirement assets are invested, the more vulnerability there is and so the more concern there is to ensure that performance is presented accurately, that if a fund has a very high fee, investors are aware of the effect of that over time. Which is why when the fee table was adopted, it was also a little chart that showed the effect of those fees over time. But certainly market volatility is something that affects investors today, but the flipside is you want to educate investors and help them make choices that are best for them. You don't want to scare them away from the market.

Unfortunately, I know a woman slightly who in late 2008 just panicked after everything dropped and sold all her holdings, and I didn't know she had done it until afterwards, but you hate to see that happen. Because, of course, you had to kind of take a deep breath, and the market did rebound.

WT: Right. So you were then at IM through the rest of your time at the SEC?

AG: Yes, I was in IM. I was in the Chief Counsel's office, and then Kathy asked me to head up the Office of Variable Products, which I wasn't tremendously enthused about doing, but I did. I was only head of that office for about a year, nine months of which I was pregnant with my first child. When I came back from my maternity leave, I was senior counsel to the director, Kathy McGrath, and that's when I started working part-time, at first three days, but then I easily bumped it up to four days. When my second child was due in late '91, I received an offer from the Investment Company Institute for a very good

part-time position. And I thought, well, as much as I've loved it, I think it's time, and I left the Commission then.

WT: Okay, so then you were at the Investment Company Institute from 1991 to 1998. Was that all part-time, or did you move back into—

AG: Mostly part-time. I think I was full-time briefly. That was mostly part-time, four days a week.

WT: Well, I mean that's plenty of time so why don't we talk about what you did there?

AG: Well, I first started working with Cathy Heron, who did a lot of the ERISA-related work as they affect mutual funds, as we've discussed, and did some of the international work. There was an effort back then to allow for cross-border sales of mutual funds. It's extremely difficult. In fact, no fund other than Canadian funds that I'm aware of—there are a few Canadian funds that have been able to register under the Investment Company Act because section 7(d) of the Investment Company Act, I don't remember the exact language, basically requires that to allow a foreign fund to register that fund has to be subject to comparable protections under the law of its jurisdiction. And most foreign jurisdictions, at least at that time, the European ones we were talking to, they didn't prohibit affiliated transactions the way U.S. law does.

But it was kind of interesting. We would meet with these foreign counterparts, and it was interesting. I would get involved in some where the '40 Act and ERISA would meet. And then we developed more programs for investment company directors, and I became the vice president for investment company directors, and I sort of was also Matthew Fink's assistant, I would work with him on various matters.

WT: What was his position?

AG: He was president of the ICI, and actually Matt was a mentor to me in a lot of ways at the time.

WT: So what was your position? I don't think you defined it.

AG: I started there as an associate general counsel, and when I left I was vice president for independent fund director issues. I think I'm remembering that correctly. Those were good years, and I learned a lot about, from the industry's perspective, how the rules affect them and what their concerns are, and some more of the intricacies of back-office operations and how things work. So it was good, because I felt I left there both with an appreciation for the government's point of view, but then seeing things from the industry's point of view. But when you spend your formative years, as I did, at the SEC, that kind of leaves you with the mindset that's kind of imprinted on you. So I think I've retained that to this day. I think I was at the ICI for six months or so before I stopped referring to the SEC as "we," and they said, "You work here now."

WT: So, were you involved then in liaising with the SEC or other SROs?

AG: Well, the ICI's not an SRO. It's a trade association.

WT: No, I know, but I'm thinking like the NASD or something like that, because I know, of course, you end up here.

AG: Sure, to some extent—more with the SEC. We would comment on proposed rules. Yes, there was always some issue, or suggesting a rule, that they adopt a rule in a certain area, but, yes, there was a tremendous amount of interaction.

This is another example about how certain issues have been around forever. There's been a lot of talk in recent years about whether there should be an independent regulatory organization, a self-regulatory organization, if you will, like FINRA for investment advisers, because investment advisers—the SEC, I think they can examine them only about once every eleven years. Between FINRA and the SEC, brokers, on average, I think it's more like every two years or something like that. This issue was around in the 1980s and that was something else I worked on when I was in IM, I remember we were commenting on draft legislation, and it would periodically pop up while I was at the ICI. And so it's, again, one of those perennials, that it's been a problem for the SEC, continues to be a problem and no solution has really been agreed to.

WT: Who are the people you would have been dealing with the most in that time? Was your job internal at the ICI? I guess I'm still not quite wrapping my head around the exact nature of the work. I know you were doing a lot of interpretation of rules.

AG: Well, on a day-to-day basis I certainly would be working with the other lawyers, and the ICI is a fairly large organization. I don't know. If I had to guess I would say maybe at the time it had 150; we'd be producing various publications, writing comment letters. So on a day-to-day basis certainly most of it internal. But we had a board of governors, so after I had been there for a while Matt would have me attend executive committee meetings. And certainly we would have meetings with the SEC and NASD staffs on various matters, the Department of Labor and other government agencies, which would all become part of the public record, so it was both internal and external.

WT: Okay. You then went back to private law firms for a few years.

AG: Yes, I went for a few years to work with Kathy McGrath, who was at Morgan Lewis and then went to Crowell & Moring, and I followed her there. And, again, I was practicing law, but this time on a part-time basis, which for me I found difficult to do. And, again, after a while I realized that I hadn't learned my lesson the first time. Some people love private practice. Some people enjoy other lines of work. And I was thinking, well, what should I do next? I was contacted by someone here at the then-NASD who asked if I would be interested in working there, and I said, "Yes, I think I would be," and it worked out.

WT: So, what position did you move into then at the NASD? Again, I probably don't have the details here.

AG: Yes, sure. Let's see. I've always been in the Office of Investment Companies Regulation, which deals with broker-dealer sales practices. Remember, FINRA has jurisdiction over broker-dealers. We have no jurisdiction over investment advisers or investment companies. So, I spend a lot of my time on broker-dealer communications with the public. In the last couple years I've spent a tremendous amount of time on the implementation of Dodd-Frank and the JOBS Act, so I haven't been totally focused on issues directly related to investment companies. It's been a broader scope than that.

WT: Tell me a little bit about the environment here when you arrived, what circumstances—you've given me a little bit, but not too much, detail on how you came to NASD, so can you narrate that a bit?

AG: Sure. The NASD, when Clark Hooper was here, she approached me about taking on a job here, but it would have been a full-time job, and at the time, with my husband in private practice and two little girls, I felt the need to stay part-time. And so I didn't pursue that, but I recommended someone else who ended up getting the position, Tom Selman. And Tom is someone I knew a little at the SEC, and I got to know better at the Investment Company Institute. He's incredibly bright. He's got his head screwed on

straight in terms of doing what's right for investors. I really think his judgment is excellent. And he called me one day and said, "We're looking to hire someone."

Well, let me back up a little bit. Mary Schapiro was then, well, Robert Glauber was CEO, but Mary had a very high position in the NASD, and I knew Mary from my days at the SEC somewhat. I also knew Elisse Walter, and she was here. So there were a lot of people here who knew me, who were familiar with my work, and I think that made it a very comfortable fit. So it was, again, happy circumstances, although this time I was able to come part-time, so it was a position of counsel, I guess, just counsel, and then when I finally went full-time –

WT: When was that? Don't worry.

AG: It's been like maybe four years ago, I was promoted to being an officer. They didn't have, and I think still don't have, part-time officers. But, again, I know part of the overarching theme here is women in regulation.

WT: Yes, I wanted to return to that.

AG: Again, just a terrific atmosphere and just no distinction between men and women.

WT: Generally speaking, being in a part-time role in all this time, I know it was difficult in some cases, but did you get a sense that, even though you were there four days a week, that there was some mentality there that you weren't fully incorporated into things?

AG: No, never in the sense that you're not dedicated to your work, or we can't count on you to get it done, because many a time I would come in on my day off. If something needs to be done, it has to get done, and it has always been important to me to never let part-time status get in the way of getting a job done right and on time. But when you're part-time, you've got to accept the fact that there will be certain promotions you either won't be able to take or won't be offered to you, and that's unfortunately a fact of life. There are some positions, if you're in a supervisory role you need to be there five days a week, but never, ever have I gotten the sense that people thought less of me or thought, well, she's a part-timer, so somebody better really look over what she did: never, never.

WT: Okay. When you arrived here, were any of the disturbances from the 21(a) report still evident, or was it pretty much the reorganized organization by that time?

AG: It was a reorganized organization by then so that was not part of my experience.

WT: So, can you tell me a little bit more then, I guess, about some of the issues you would have been dealing with, with investment company regulation?

AG: What have I been dealing with? Certainly a lot—Dodd-Frank raised the issue, in fact directed the SEC staff to produce two reports, which the staff did early in 2011, comparing broker-dealer regulation to investment advisor regulation: what are the gaps, where should the regulation be harmonized, where should the regulation be different? I certainly have spent a great deal of time in recent years on issues coming from that Dodd-Frank directive. Dodd-Frank also gave the SEC authority to impose a uniformed fiduciary standard on broker-dealers and investment advisors when they are providing personalized advice, about securities, of course, to retail investors. FINRA supports that. So, a tremendous amount of effort and work went into that. See, when Congress enacted the Investment Advisers Act in 1940, broker-dealers and investment advisors—I wasn't around in 1940 but this is what I'm told and what I read—were fairly separate. Over time, there's been a great deal of convergence. It's something like—I could get the exact figure for you—88 percent of broker-dealer registered representatives are also investment advisor representatives, or the flip. Maybe it's 88 percent of IA reps are also broker-dealer reps. And there are a lot of firms that are dually registered as investment advisors and as broker-dealers.

So, again, I'm an investor coming in: what's best for me, a fee based advisory account, a commission based brokerage account? Do I understand the different disclosures that I'll get depending on which type of relationship I have? Or the standard of care? The SEC commissioned a huge study, the RAND study found, I believe, most investors did not understand the distinction. I think it also found that most weren't terribly alarmed by not

understanding the distinction, but they do—in the end they are important and I've spent a great deal of time on those sorts of issues.

The JOBS Act creates a new type of entity called a funding portal, which has to be a member of a national securities association. We're the only ones right now, so once the SEC publishes its proposed rules for funding portals, we will have to propose rules that dovetail, and certainly obviously our rules can't conflict with the SEC rules for funding portals, and I've spent a fair amount of my time on those.

So you can see those aren't directly related to investment companies. In the meantime, issues pop up all the time, bond funds that want to use some sort of average credit quality rating, and so: well, wait a minute, how are you going to account for your securities in your portfolio that are unrated? And closed end funds, some have a managed distribution policy where it's well disclosed that a portion of the distribution will be a return of capital, but what if they don't and you come across a closed-end fund that is making a distribution and it's not so clear that perhaps you're getting a return of your capital. That's something we would look into and provide guidance to firms about.

And certainly there's a concern that investors are chasing yield, so we've put out notices to brokers reminding them, in a high-yield environment, if you're going to tout the potential for an investment to produce high yields, you've got to also make a balanced presentation of the risks that that investment might entail, because generally you don't get

the upside of potentially high yield without there being greater risk. I don't know if that gives you some sense of the sorts of issues.

WT: It raises the question for me, since you arrived in 2003, if there were similar issues of, I guess, corralling people in the wake of the Sarbanes-Oxley legislation, or if that didn't affect things here as much.

AG: When was Sarbanes-Oxley again, 2001?

WT: It was 2002, I believe, because it was in the wake of Enron and all of that.

AG: Right. Well, that would have been before I got here, since I got here in 2003. It certainly wasn't something I was involved in tremendously, but, and I should have this straight, there was some little glitch or gap in Sarbanes-Oxley that was fixed in recent years having to do with audits of broker-dealers, and I could get back to you on what that gap was. It's escaping my mind, but it's like some gap in the PCAOB's authority that was corrected. But, again, I'm not sure how much I would have been involved. It would depend on the issue, because at that time my husband was a board member at the PCAOB. But, no, I don't remember becoming involved in it, spending a lot of time on Sarbanes-Oxley.

WT: I'd be interested in your perspective, so I was trying to evoke possibilities about the guts of the thing.

AG: I don't think. Certainly Dodd-Frank and the JOBS Act—and I do feel strongly about the need to harmonize the standard of care for retail investors, and not that I think investment advisers and brokers need to be—again, I should say in all of this these are my views, not necessarily those of FINRA or any colleague here. But I feel very strongly, and FINRA has spoken out in the favor of the fiduciary standard, and I certainly hope progress can be made along those lines and it'll be interesting to see when and if the Commission proposed a standard of care.

WT: And on your end, were there any issues involved in the creation of FINRA from the NASD and NYSE regulation?

AG: I wasn't involved in that, except to some extent in rule consolidation. That would not have been a big part of my job.

WT: Right. So then, the other question that I had is, I know that NASD and FINRA have had quite a lot to do with the creation of electronic trading environments and monitoring them as well, has that affected you in what you've had to do?

AG: I am not directly involved in that side of FINRA's operations, so I would not be one to speak to about that. Certainly something I try to stay up on, but that's not an area of responsibility for me.

WT: And so I should ask you if there's anything that we haven't touched on that we ought to?

AG: I don't think so, but I just would like to emphasize what a place the SEC was when I was there. And I think it's still a tremendous agency, but I'm not there now to experience it. It was a privilege to work there, and just the esprit de corps, the morale, the sense that we were doing God's work and making the world better for investors, it was terrific.

WT: You mentioned the great morale at the SEC, and of course the first decade or so of the 21st century has been a difficult time in the financial industry. How does that affect the atmosphere at a place like FINRA, does it give you a motivation to redouble efforts, can it be difficult?

AG: Redouble what sorts of effort?

WT: I don't know, I mean because you have quite a lot on your plate, so to speak.

AG: We have a lot on our plate. I think there is a great appreciation for how much the SEC has on its plate and we understand if they can't get to something as quickly as they'd like to, but that's always the way of the world. Yes, we're all just very busy, yes, it's a busy time, but it's interesting work. Our morale is high, I think.

WT: Okay. Well then, just to wrap up I think I'll return to that theme of women in regulation. Of course you've experienced the remnants of a more archaic era, and then you've

experienced a very collegial, inclusive, well-proportioned environment at the SEC, and of course we've spoke about women in high positions like Elisse Walter and Mary Shapiro.

I was wondering if you had any further thoughts that you'd like to bring out.

AG: My advice to young women now, to the extent I find myself talking to one—and I've spoken to women my age about this—women often, not always—in meetings I notice this, I shouldn't speak in terms of always or often—I've spoken to women who recognize this trait in themselves. I recognize it in myself. A partner asks you a question. I would say, "I'm pretty sure the answer is x, but I'd like to go and double check a, b, and c." A man would answer, "The answer is x." And maybe it's my generation that we had to remind ourselves, don't be tentative, speak your mind, and over the years I've learned that. I wish I knew that going in, and just to be not afraid to speak your opinions, that you probably know almost as much as anyone else in the room.

That's, I guess looking back, the one thing I would change is to have more self confidence and more willingness to state forcefully if I thought something was correct. Now, I am sometimes suspicious that people say the answer is absolutely "y" when they're not sure the answer is "y," and I don't think that's such a smart thing to do. But I'd say over the years I've learned from observing people like Linda Quinn and Kathy McGrath and Mary Schapiro and Elisse Walter and Linda Fienberg and others, that that's a good thing to do.

It's certainly worked to my advantage. There certainly have been meetings I can recall here where I stuck my neck out and said, okay, maybe everyone else in the room's going to disagree with me, but what about "x," aren't we forgetting "x," where maybe if I were twenty-seven I would have been afraid to bring it up. Perhaps I would have thought, well, I must be wrong. No one else has thought of it. And then everyone says, geez, you're right, we forgot about "x." Maybe I'm not being fair to men or to women. Maybe it was just me and some of the women I'm close to.

WT: It's an impression. It's your perspective.

AG: It's my perspective.

WT: That's what this is all about.

AG: Definitely, going to the SEC, not only did the SEC treat women terrifically, well, it treated them no differently from male attorneys, taught me a specialty, one of the greatest experiences of my life.

WT: That sounds like a terrific place to wrap up.

AG: And I mean that sincerely.

WT: Thank you very much.

AG: You're very welcome.

[End of Interview]