

A Decade of SEC Enforcement Specialization

October 12, 2021

Annette Nazareth:

Hello, everyone. On behalf of my colleagues on the board of the SEC Historical Society, I'd like to welcome you here today for this special program, a Decade of SEC Enforcement Specialization.

Annette Nazareth:

My name is Annette Nazareth and I'm Senior Counsel at Davis Polk & Wardwell, and I'm the current President of the SEC Historical Society. I previously served as an SEC Commissioner, and prior to that, I was Director of the Division of Trading and Markets from 1999 to 2005. The SEC Historical Society is a 501C3 nonprofit organization. We're not legally affiliated with the US Securities and Exchange Commission, but we certainly share an appreciation of the agency's mission.

Annette Nazareth:

The Society's mission is to preserve and share the history of US securities markets. And we do this by continually expanding the collection of unique materials that we have in our virtual museum at sehistorical.org.

Annette Nazareth:

The museum is freely accessible to anyone with internet access, and I urge you to take a look at it if you haven't already done so. It really is a truly tremendous resource.

Annette Nazareth:

And now I'd like to introduce to you our program moderator Jeff Boujoukos who will in turn introduce our panelists. Jeff is currently a partner at Morgan, Lewis & Bockius and he is the leader of the firm's Securities Enforcement Practice. Prior to rejoining Morgan Lewis last year, Jeff spent nearly 11 years in roles of increasing responsibility in the SEC's Philadelphia Regional Office, the last three as Regional Director.

Annette Nazareth:

I'd like to thank Jeff for his role in moderating this program and for his service on our Board of Trustees as Vice President of the Virtual Museum. I also want to express the Board's gratitude for the participation of our distinguished panelists today, each of whom currently leads, or co-leads a specialized unit in the SEC's Enforcement Division. So with that, Jeff, I'll turn over to you and I very much look forward to the discussion.

Jeff Boujoukos:

Annette, thanks so much. And you are correct, we have a super panel today. As Annette said, we have every single acting chief of a specialized unit at the SEC in the Division of Enforcement to talk today. In fact, the panel is so large that we've decided to split it up into two separate parts, 45 minutes each. And so I'm not going to take any more time than necessary to get us started because I know all of you want to hear from all of them.

Jeff Boujoukos:

Before we start, I would be remiss if I didn't echo Annette's statement about the mission of the SEC Historical Society. And I know that Ron Long, my colleague and the Vice President of Development and

Engagement would want me to say, please go to the website and support us. It's all supported by donations. And so we need you, and if you enjoy programs like this and the truly excellent programming on the site itself, please go ahead and support that.

PANEL I

Jeff Boujoukos:

Before I start today, I'm going to state the traditional disclaimer for all the participants. On behalf of all the participants today, I would note that any statements made during this program are those of the individuals themselves, and do not necessarily reflect those of the Commission or its staff. And with that, we'll get started with our first panel, Kristy Littman, Charles Cain, Osman Nawaz, and Dabney O'Riordan.

Jeff Boujoukos:

And so I'm going to do brief introductions for those of you who do not know these individuals. I find that difficult to believe but I'm going to go over a little bit of background for each. So Charles is the Chief of the Foreign Corrupt Practices Act, the FCPA Unit in the Division of Enforcement. He was named Deputy Chief in 2011, Acting Chief in 2017 and permanent Chief in November of 2017.

Jeff Boujoukos:

In 2013, he received the Irving R. Pollack award, recognizing his scholarship and professional expertise in co-authoring the resource guide to the US Foreign Corrupt Practices Act, setting forth a detailed analysis of the FCPA and providing insight into SEC and US Department of Justice enforcement practices. By my count the SEC has brought around 29 FCPA cases in the last three years alone. Charles joined the SEC in 1999, following private practice in Washington. He began supervising investigations in 2004 and was promoted to Assistant Director in 2007. Then when the Enforcement Division created the national specialized units in 2010, he joined the FCPA Unit as an Assistant Director.

Jeff Boujoukos:

Next up is Kristy Littman. She's Chief of the Division of Enforcement's Cyber Unit. The Unit itself was created in 2017, and Kristy is its second chief. She was named Chief in December of 2019. Under her leadership, the Unit has been very busy. By my rough count in 2021 alone the SEC brought 17 digital asset ICO cases, as well as cases involving cyber-driven insider trading, market manipulation, cyber security controls, and public disclosures among others.

Jeff Boujoukos:

Kristy joined the SEC's Division of Enforcement in 2010 as a staff attorney in the Philadelphia office. She held senior attorney positions in the Market Abuse Unit and the Trial Unit before in August of 2017, becoming a Senior Advisor to SEC Chairman Jay Clayton.

Jeff Boujoukos:

In her role as Senior Advisor to Chairman Clayton, Kristy was the lead advisor to the Chairman on matters involving the Division of Enforcement and Commission adjudications among a number of other things.

Jeff Boujoukos:

Osman Nawaz is Acting Chief of the Division of Enforcement's Complex Financial Instruments Unit. He leads a specialized unit of attorneys and industry experts who are located in offices across the country that investigate potential misconduct related to complex financial products and practices involving sophisticated market participants.

Jeff Boujoukos:

He has investigated and supervised CFI cases involving subprime, automobile loans, CDO auctions, valuation, bankruptcy, and distressed assets investments, prime brokerage swaps business issues, and asset-backed securitizations, among many other issues.

Jeff Boujoukos:

Os joined the SEC in 2010, joined the CFI unit in 2014 and was promoted to Assistant Regional Director in 2018, where he now resides heading the New York CFI team.

Jeff Boujoukos:

Last but not least, Dabney O'Riordan is the Co-Chief of the Division of Enforcement's Asset Management Unit. She was named Co-Chief in June of 2016. Dabney has investigated or supervised the number of significant enforcement cases addressing a wide variety of misconduct across the asset management industry, including the SEC's first action charging a private equity fund manager for misallocating expenses between the manager and private funds. Under her leadership the Unit conducted the Share Class Selection Disclosure Initiative that ordered close to 100 advisors to pay almost \$140 million in civil penalties that was returned to investors -- civil penalties and discouragement.

Jeff Boujoukos:

She began working in the Los Angeles office in 2005 as a staff attorney in the Division of Enforcement and joined the Asset Management Unit when it was formed in 2010. Dabney also served as counsel to the Director of the Division of Enforcement and became an Assistant Director in the Unit in 2012 and Associate over Enforcement in the Los Angeles office thereafter.

Jeff Boujoukos:

So what we have is we have a number of people who have been at the Commission for a number of years, and many of whom were at the Commission when these units were created. So what I'm going to do is I'm going to address questions to each individual. And before answering the first question, if each of you could give just a little overview of your unit, how big it is, the offices that it's located in, that would be helpful. So, Charles, I'm going to start with you. You're the elder statesman here. The January, 2010 press release announcing the creation of the first five units was described in part as, and I'm going to quote here "The most significant reorganization since the Division of Enforcement's establishment in 1972." What was your reaction when you first learned about Rob Khuzami's decision to create these units?

Charles Cain:

Sure. Thanks, Jeff. And thanks for having me. I appreciate the generous introduction. Before I answer that substantively, we have about 35 people in the Unit. We're located in six offices around the country, Boston, Washington, Miami, Fort Worth, Salt Lake and Los Angeles currently.

Charles Cain:

I think my reaction at the time is that I was intrigued, but it was also a time of great upheaval for the Division. We were coming off of after-effects of Madoff. And this was a complete restructuring and not

just creating specialized units, but kind of the way it was going to be supervised across the country was new. It was no longer going to be each region operating independently.

Jeff Boujoukos:

So Dabney, you were also an original member of a unit in your case, the Asset Management Unit. What drew you to the Unit and what did you think when you first heard about the opportunity?

Dabney O'Riordan:

Thank you, Jeff. And to give you a highlight of the unit overall, we are in almost every regional office throughout the country. We have a group of over 50 attorneys, industry experts and managers throughout the country. So my view on why I joined the unit -- I did give it careful consideration at the time because it was new. We didn't really know what was going to happen with the units and exactly what they were going to be doing.

Dabney O'Riordan:

But for me, it really was due to the case work I had done in the investment advisory space before the units were formed. And that work had led me to conclude that those types of cases were really what drove me in conducting investigations because of the consequences that could happen. I had a case in particular where an advisor who just engaged in really investing and misled his clients just wipe them completely out. And after you sit across the table from people who are in tears, because their retirement savings is completely gone, it really does help drive you to make sure that the industry is operating in the manner in which it's supposed to.

Jeff Boujoukos:

Kristy, so Charles touched on this a second ago. One concern at the time of the creation of the units was the ability to supervise personnel in other offices. And as Charles just noted, that was something that was new. As a member of the Market Abuse Unit and now a Chief of the Cyber Unit. How did the units overcome geographic separation of their staff?

Kristina Littman:

Sure. Thanks, Jeff. Quick overview of the Cyber Unit. We have about 30 members. Some are here in the home office in DC, and we also have folks in New York, Philadelphia, Chicago, San Francisco, and Los Angeles. And then we actually have a liaison in every other region where we don't have a presence just to help coordinate core digital asset-type cases.

Kristina Littman:

As to the question relating to the geographic separation. I think in Market Abuse and certainly now in Cyber, we did a few things to kind of stay connected pre-COVID. We try to have a unit conference every year or every other year, budget permitting. We also have periodic inventory calls and sometimes those are intended to cover new tools or new investigative techniques. Sometimes we just take turns talking about our investigations and it kind of helps to make up for that sort of hallway talk that you miss by being in different offices. Prior to moving into telework, I was also traveling a fair amount. I had kind of recently taken on my role and was still getting my arms around our docket. And so I do think most unit chiefs in the before times travel quite a bit to make sure that they're making those connections across the regions.

Jeff Boujoukos:

And you mentioned pre-COVID. It was interesting to me as the Commission went to full-time telework with COVID. Do you think the units were actually in a better position to deal with that at least from a supervisory and organizational standpoint than maybe the staff in the regional offices were?

Kristina Littman:

I think we probably weren't in a better position to telework because I think we all were caught a little off guard by the concept of telework and it was brought on rather suddenly, but we were probably more accustomed to having those milestone meetings by conference call or making other arrangements because we are spread out across the regions. And so those meetings where you're making charging decisions and things like that, we necessarily already had to do a lot of those by phone. Our inventory calls have continued uninterrupted, so that's been a nice point of consistency. But I'd also say, I do think overall that the SEC was pretty nimble when we moved to telework. There were of course bumps in the road at the beginning, but our systems seemed to handle the uptick in remote access. And our people were incredibly resilient and really committed to staying productive in the face of uncertainty.

Jeff Boujoukos:

And just the definitional question, when you say inventory what mean by that? Just so we're all clear.

Kristina Littman:

What everyone's working on across the unit. Because I mean you know how it is when you're in the office, you just walk down the hall and you might talk to the person in the office next door to you about something you're dealing with or ask them if they've encountered something like that. And you get to hear about one another's cases that way, or even just grabbing coffee and you miss out on that aspect of the in-person relationship. But we have these inventory calls to help us all kind of understand what everyone's working on and have a sense of who you might go to to talk through an issue, because maybe they've encountered it before.

Jeff Boujoukos:

So shifting gears, a little bit, Rob Khuzami, and I keep on mentioning Rob, because obviously this change took place under his supervision as head of the Division of Enforcement. And I would note that there is a super interview of Rob in the Historical Society's archives that covers this among a number of other topics. At the time in January 2010, one of the reasons for doing the units was to provide, and I'm going to quote here from the press release, "An improved understanding of complex products and markets earlier in better capability, detect emerging fraud and misconduct, greater capacity to file cases with strikeforce speed and an increase in expertise throughout the Division." Just in my work with CFI I feel like when I was at the Commission I feel like CFI in many ways advances each of these goals. But the nUnit's mysterious. It's a little bit of a black box. So why don't you explain to us a little bit about what CFI does?

Osman Nawaz:

Thanks, Jeff. And it's a great lead up be before I jump in I want to thank the Historical Society for having me. It's great to be here with everyone and to represent CFI as a long-time Unit member, staff attorney, and assistant director. On size, to give you that background, we're currently around 35 unit members give or take, that includes attorneys and dedicated industry experts along with a CFI specific data analytics specialist. Our unit members much like the FCPA and the other groups we reside throughout the SEC's offices, home office, Chicago, Denver, Fort Worth, Atlanta and New York.

Osman Nawaz:

As to what does CFI do Jeff, the historical mandate has been to identify and investigate misconduct arising from the creation sale, usage, rating and valuation of complex instruments. The piece that gathers some of the mystery and the attention is what are the complex instruments. Those instruments have included the whole range in my experience. And the unit has built on existing knowledge that was here at the Commission before, but we've really proactively developed faculty with a wide range in many complex products in my opinion.

Osman Nawaz:

Various types of derivatives, swaps, certain types of fixed income and credit products, securities, structured products, CLOs, CDOs, complex ETPs, and the list grows and there are more. Although oftentimes our matters and the work that CFI does involves larger sophisticated entities on the sell and the buy side, for instance. The Unit's work does cut across the whole spectrum with various market participants. You hit on a few things, the initial announcement for this unit first known as the Structured and New Products Unit, and now known as CFI.

Osman Nawaz:

It does still aspire to check all of those items that you listed with efficiency and strike force speed and some of the other things you mentioned. Our case work it often is done in collaboration with colleagues outside of our Unit, and it involves a fair amount of first-time actions and issues of first impression.

Jeff Boujoukos:

At the risk of asking a follow up that you may or may not answer, I hope you can veto. Do you feel like CFI is proactive or reactive when it comes to looking at these different types of products?

Osman Nawaz:

Yeah. No, I welcome that question. I think one of the things culturally since I've joined the Unit that we've really endeavored to do is to be proactive. And I think that's consistent with what you said whenever the unit was first created. There is a great emphasis put on the proactive work that can take place within Enforcement and within this group.

Jeff Boujoukos:

Thanks for that. So, Dabney, back to you. I know that when the Philadelphia office added A and U personnel, the happiest people in the office were the Examination staff. And that's not due to who you chose. Explain how the unit interacts with the Division of Examinations and how you think that's benefited the SEC?

Dabney O'Riordan:

Sure. It's nice to hear they were happy to hear that we were created, because we were happy to work with them as well. In fact, one of our industry experts actually went over and headed the Private Funds Unit over in Exams after he had served for several years with the unit. But we do have a very close relationship with the Division of Examinations, as well as the Division of Investment Management. And what that means is that we reach out to them regularly and each of the divisions know that we are the key contact within Enforcement regarding any issues they are seeing in the asset management space.

Dabney O'Riordan:

So the result has been greater collaboration and discussion of what staff across the Commission are seeing in the industry and new risks and getting that information out there within the various divisions that touch on those issues, whether it be Exams or on the regulatory side and IM.

Dabney O'Riordan:

And so we've been able to respond much faster to new issues and risks as they have arisen in light of your question to Osman is that we have tried to be more proactive as a result when we see an area that may generate risks. So for example, we have historically, when we identify a potential broader risk area through one of our investigations, then brought that issue to the other divisions, including the Divisions of Examinations and Investment Management, to discuss those risks as a group and try and brainstorm about ways to address them.

Jeff Boujoukos:

A follow up on that. I mean, I think that those of us that have a practice that involves the Examinations staff and clients who are subject to exams, obviously closely watched the yearly Examination priorities, as well as risk alerts that come out. What if any role does your unit have in the creation of those types of issuances from Examinations?

Dabney O'Riordan:

So Exams obviously takes the lead and is the primary drafter of those documents, especially their priorities and their observations from their exams. But we do get an opportunity to review them and provide comment or insights that we can from our own experiences. And we do take the lead for doing that for the Division of Enforcement. So for example, we do look at the Exam priorities. Every year we get an advanced draft of those and can provide comments in response to what we read there and what we have observed.

Dabney O'Riordan:

In addition to the risk alerts, Exams issues some great risk alerts, and we've been lucky to be enough to be a part of some of them. So for example, they recently gave a risk alert regard, ESG related issues, as well as private fund issues. And we were involved in reviewing those and providing some comments to those.

Jeff Boujoukos:

So Charles, in the FCPA space, the Commission is oftentimes investigating matters that are also being investigated by the Department of Justice. Do you think that the creation of the FCPA unit has benefited both sides in connection with parallel investigations? And if so, how?

Charles Cain:

Yeah. I think it's greatly benefited us and I hope it's benefited the Department as well. They were ahead of us as far as having a specialized FCPA unit and what was under then, the U.S. Attorney's manual and now the Justice manual. Well, an FCPA matter could be handled in any U.S. Attorney's office. They had to coordinate with the fraud section here in Washington. And so us having a similar unit where we're able to coordinate and collaborate regularly with the same set of people, has greatly enhanced our ability to work collaboratively and in parallel. Over the years, we've done trainings together.

Charles Cain:

We learn from our cases together. We also both support the U.S. in its participation in the working group on bribery at the OECD and our part of the U.S. delegation on anti-corruption issues. So there's some real synergies there. Prior to there being a unit, there was a small group of us who had some regular touch points with the FCPA. And while it seemed like a lot at the time, it's nothing like what comes from having a unit that specialized in the subject matter. You always know who to talk to on our side, and we always have those relationships on the other side as well.

Jeff Boujoukos:

Again, at the risk of being vetoed, I'm going to ask a follow-up question. Are FCPA cases now largely handled by your group or can there be situations where non-unit staff will handle an FCPA case?

Charles Cain:

Yeah, there are FCPA cases outside of the unit. There always have been. We're here as a resource. Sometimes we co-staff them and we always collaborate along the way. So I think it's a great way, especially when we co-staff, I think it's a great way for people who don't have as much experience in the subject matter to work side by side with people who do have it in order to help them get educated on the subject matter. And also, part of the real benefit to a specialized unit is to be able to disseminate that knowledge throughout the Division as a whole.

Jeff Boujoukos:

So Kristy coming back to you. In preparing for this, I took a look at the width, the breadth of what your unit covers from the original press release announcing it, and market manipulation, hacking, violations involving distributed ledger technology, misconduct, perpetrators using the dark web, intrusions into retail brokerage accounts, cyber related threats to trading platforms. The list goes on and on, and certainly your Unit has done a much broader group of cases than just those listed in the press release. My question to you, assuming all those facts to be true. My question to you is how do you decide where to allocate your Unit's resources given the amount that the Cyber Unit covers?

Kristina Littman:

Very strategically. There are some kind of natural divides though. We have a fair number of Market Abuse Unit alumni in the Unit. So a lot of our trading cases end up with folks who already have a depth of knowledge and experience in insider trading or manipulative trading and account intrusions. I've also observed a sort of natural divide across the regions with respect to our cybersecurity cases, as it relates to both public issuers and SEC registrants, and our personnel in Chicago and LA seem to have an interest in a proficiency for those cases. So they often end up in those groups. And then of course across the unit, all of our personnel have the relevant expertise to work on our digital asset cases. So those are the cases relating to token issuances, exchanges, BD activity, that type of work. I suppose I have to give Rob Cohen credit because the unit, as he kind of assembled it a few years ago, really has a wealth of expertise that allows us to fulfill what I agree with you, is a pretty broad mandate.

Jeff Boujoukos:

I'm going to follow up again with right to veto on something that Charles just said, which is work that his unit does in working with people outside the unit and passing on expertise. Is that something that the Cyber Unit? Maybe you can explain how that works.

Kristina Littman:

Sure. I'm sure you know there are more ICOs than we have bodies in the cyber unit. So there have historically been a lot of ICO cases outside of the unit. It's an area that I think a lot of investigative attorneys are just interested in working in, and there's no shortage of those cases. So we do see a lot of those outside of the unit. We usually have kind of like an advisory role. We have a core group of people who will sometimes conduct training with other folks in the Division, just on like how to conduct an ICO investigation. But they're also a good resource for templates and just understanding the landscape. And then of course, I like to stay involved in the charging decisions because we want to make sure that the charging decisions at any settlement terms are consistent with our programmatic objectives and that we're treating market participants fairly and uniformly.

Jeff Boujoukos:

So Os, I'm going to come back to you because there was something that you mentioned in talking about the work that CFI does, and that's how the Unit leverages Commission resources in other groups and other divisions. Do you feel that having this unit structure has been an effective way in tapping into other expertise and resources within the Commission? And if it is, maybe explain how that happens with CFI.

Osman Nawaz:

Sure. I like this question because it provides an opportunity to tout CFI in a way, but also the Commission's resources writ large. The building, as I've learned through my time here has a tremendous amount of knowledge. It's really quite impressive although harnessing all of the knowledge at times does take effort. So how does CFI do that to leverage resources? I'll highlight one simple way, in that many a time we leveraged Commission resources, really through fostering relationships with other groups in and beyond Enforcement. We actually have several unit members who spent time or started with the agency and a sister division, and that really streamlines and helps to pave the way for resource and knowledge exchange.

Osman Nawaz:

In addition, I would note that the general level of collaboration with CFI colleagues beyond the unit with other panelists here in their groups, and then with other sister divisions, it's pretty high. And so, that takes place even when there's no set agenda item, and it's really for CFI's purposes to be as market smart as possible. I've heard both Charles and Dabney and Kristie comments on this. Really it's a two way street for CFI. We're always eager to share our group's knowledge with others, and then that's frequently reciprocated and puts the unit in a good position to leverage or use and best facilitate resource sharing.

Jeff Boujoukos:

I saw that in particularly in Philadelphia with some quant resources that were kind of spread throughout the Commission. With that kind of the data analytics aspect of what you do, is that something that is a kind of a shared lift among multiple divisions when you're harnessing those resources?

Osman Nawaz:

Certainly. I think Jeff you mentioning Philadelphia in your time there, as you know, our data specialist is housed in Philadelphia and he's a wealth of resource for our unit and for other groups. He works with other units that are represented here today. I think it really just shows that collaboration, even on the data analytics side and all of the knowledge exchange that occurs.

Jeff Boujoukos:

Keeping an eye on the time, I thought maybe we would shift to what I'm going to call a speed round. Charles, I have a mute button, no, just kidding. I'm going to ask a question and maybe you all can give me just a moment or two in reaction. It's not going to be a one word question or anything like that. So can each of you discuss a challenge? We've talked about the positives, but a challenge particular to your unit, that you faced and overcame either as a chief of the unit or as a member of the unit. Kristy, I'll start with you.

Kristina Littman:

Sure. At the risk of taking the answer everyone's going to want to take, there aren't enough of us. Obviously, there's a lot going on in our space and we have to be really intentional about what we investigate. I won't claim to have completely overcome this challenge, but we really do work to kind of

constantly evaluate the landscape and focus our enforcement actions on those investigations that are going to have the most impact on the market and the industry and the most impact for our investors.

Jeff Boujoukos:

Os?

Osman Nawaz:

Yeah. Kristy sort of hit one of the main challenges I think that confronts CFI too. It's just strategic allocation of resources as they are very precious. To give you one other challenge that faces the unit, although it's not particular to the unit, it may be a little more acute. It's just the challenge of the "new" that we face oftentimes in the Unit, dealing with the complex product and layered on top of that, some complex provision or legal interpretation that may be necessary or relevant to the cases that we're working on. I'd look back to a statement earlier that I made relating to just resource sharing and getting to know our colleagues very well throughout other divisions is the way in which I think CFI tries to effectively overcome that particular challenge when it comes to partnering with other divisions on cases where the new challenge is presented.

Jeff Boujoukos:

Thanks. Dabney, other than resources, what challenges have you confronted in the unit and how have you overcome them?

Dabney O'Riordan:

Okay. I'm going to go back to Kristy's first question and her first answer about the staff in the unit being spread all across the country. That is a unique challenge when you first come into this role of managing people at a distance. It's obviously one that everyone who is a chief of a unit faces, but there are a lot of resources. You just have to stay on top of it. We have video phones at the SEC and our offices and the AMU was a big proponent of using those so we could at least see each other now with the telework tools, that's much easier. But that was always the biggest challenge.

Jeff Boujoukos:

And Charles, you're our anchorman here. So you're not able to select prior answers.

Charles Cain:

So no resources and no remote management. I'm not sure what much I have. I'll go with something mundane that maybe draws on all of it. In this particular space, one of the biggest challenges is language skills. Our cases could involve any particular part of the world. And so early on, we developed just kind of a list of all the people in the Commission who might have particular language skills that we might be able to go to, to help us with maybe some key document translation or something like that in order to help us move a little faster. At this point now, we've transitioned to having some contract attorneys with skills in languages that we see often, that we're able to use. But early days we kind of had to cobble together a list of people who are willing to help as best they can given their day jobs as well.

Jeff Boujoukos:

That's really interesting. Do you think that because there was an FCPA unit that had that kind of mass in the area, that there was easier to marshal those kinds of internal assets and then ultimately get good contractors that could do it?

Charles Cain:

Yeah. Well, I think on the first part, people are always willing to help their colleagues across the Commission. So I think even without specialization, you'd find people who would be willing to help out as best they can, but I don't think we would have been able to get the dedicated resources for contract attorneys with language capabilities in the absence of a specialized unit.

Jeff Boujoukos:

That's really interesting. Okay. We're through our speed round. Dabney, I'm going to come back to you. We got a couple minutes left. So let's talk about the share class disclosure initiative, which your Unit was responsible for overseeing. Do you think that having the Unit made this more possible or did it bring the issues that were the subject of the initiative into sharper focus that allowed the staff to focus on this issue?

Dabney O'Riordan:

Yes, absolutely. Having the AMU is what made the initiative possible because as a result of our national presence and focus on investment advisers, I was able to recognize the need to find an alternative way to efficiently and effectively addressing the type of misconduct covered by the initiative. By being familiar with the issues, we were able to structure the initiatives such that it focused on what it needed to focus on and to incentivize firms to participate and resulted in clients being made whole for the harm that they incurred. So normally, a single investigation would have required the AMU and one attorney to spend almost two years investigating the case. But as a result of the initiative, the Commission brought almost a hundred actions in just over a year and ordered the return of over \$139 million. So yes, I think by having the unit, we were able to identify a pretty significant problem that had been going on and to get it addressed as quickly as we could.

Dabney O'Riordan:

I think it also helped to encourage firms to participate as they knew that there was a unit within enforcement that was devoted to asset management and those issues, and they were likely then to get caught at some point in the future. So why not take advantage of some of the benefits of the self-reporting initiative? I think you're probably going to talk to LeeAnn about this later on, but one aspect of this, it was also an opportunity to work with others. We worked with LeeAnn in the PFAU quite a bit to get their guidance from their work on their initiative that they did, which was indispensable for structuring our initiative.

Jeff Boujoukos:

In the time we have left, I'm going to go to another speed round. A speed round two. Just going to ask you, what do you find is the most rewarding aspect of working in your respective units? Kristy, I'll start with you again.

Kristina Littman:

I think it's just kind of the constant evolution we have. Really rapidly evolving technology in this space that we're responsible for bringing enforcement actions in, and so our unit has to continually adapt to those new assets, new technological developments. It keeps the cases interesting. Our people are really committed to that evolution and to being kind of thought leaders on how to approach these innovations.

Jeff Boujoukos:

Charles, I'm going to go to you next. Most rewarding aspect of working as Chief of the Unit.

Charles Cain:

Well, I'm a secret softy and it's got to be the relationships. We have just a tremendous group of folks within the unit dedicated and passionate about what we do. But the nature of the work also allows us to develop really great working relationships with people who are working in the same space, literally all around the world. We have relationships with law enforcement in more countries than I can count. Absent the experience in the unit, we would never have had the opportunity to develop those relationships. So that's what I think is for me, the best thing about the unit.

Jeff Boujoukos:

Os?

Osman Nawaz:

Yeah. I'm going to echo both Kristie and Charles here and also reference back to something I mentioned earlier. But I personally find the challenge of the new really rewarding. I like grappling with those issues and as well, I really do enjoy the team that has been built within CFI. It's truly a dedicated and an energetic group to work with.

Jeff Boujoukos:

Dabney, without taking any of the prior answers, no, I'm just kidding. So, Dabney, what do you find the most rewarding about being a chief for your unit?

Dabney O'Riordan:

I think it's seeing the staff because of their specialization being empowered when dealing with opposing counsel. They know what they're talking about and they know how the industry works and they know what the issues are. I think that empowers them significantly when they're engaging with opposing counsel on their investigations.

Jeff Boujoukos:

Well that's a great way to end. And being from an office that had two unit heads in it at the time, this was created in a number of unit members, kind of saw firsthand the benefits of specialization. And so with that, I'm going to say thank you to all of you for taking the time today to give us your perspectives on the units and insight to how you do what you do. It's invaluable. It's going to go into the history of the SEC at the historical society site and encourage you to stick around in the green room and listen to our last three panelists as they try to, they have the unenviable task of trying to better all of you with all of your great answers to questions. So thank you very much for the time. We really do appreciate it.

Kristina Littman:

Thanks Jeff.

Osman Nawaz:

Thanks Jeff.

PANEL II

Jeff Boujoukos:

So with that, why don't we switch to our second panel of the day. I'd like to introduce Adam Aderton, LeeAnn Gaunt, and Joe Sansone, as our second panel. I'll do a little bit of background. Obviously the same disclaimer applies. Adam is the Co-Chief of the Business Division of Enforcement's Asset

Management Unit. He was named Co-Chief in May of 2019. Adam joined the SEC in 2008 as a staff attorney in the Division of Enforcement. He joined the Asset Management Unit at its inception in 2010, and was promoted to Assistant Director in 2013. Adam has extensive experience investigating and supervising actions that involve a wide range of conduct across the asset management industry, including actions concerning conflicts of interest, failing to disclose investment strategy, unauthorized use of client funds, forum CRS filing and delivery failures, and misrepresentations to investors regarding performance among a number of issues.

Jeff Boujoukos:

LeeAnn Gaunt is Chief of the Enforcement Division's Public Finance Unit, formerly known as the Muni Unit. She was named Chief in November of 2013. LeeAnn's worked in the specialized Unit since its inception in 2010 and supervised the agency's first pay-to-play enforcement action for in-kind political campaign contributions in September of 2012 when the SEC charged a financial services firm and executive vice president for violations related to contributions to the then-State Treasurer of Massachusetts.

Jeff Boujoukos:

Under her leadership, the Unit conducted the Municipal Continuing Disclosure Cooperation initiative, which I'm going to refer to as MCDC, and a voluntary self-reporting program, targeting material misstatements and omissions and municipal bond offering documents. LeeAnn came to the SEC from private practice in 2004 joining the unit, was a staff attorney and supervisor.

Jeff Boujoukos:

And last but not least, Joe Sansone. Joe is Chief of the Division of Enforcement's Market Abuse Unit. He was named Co-Chief in September of 2015 and Chief in September of 2017. His time at the Commission, Joe has investigated and supervised a dizzying array of cases involving the focus of the Unit, complex insider trading rings and other abusive trading schemes and misconduct.

Jeff Boujoukos:

In the last year alone, the Unit brought cases involving insider trading rings, front running, unregistered broker dealers, wash sales involving meme stocks, payment for order flow, order routing, and the list just goes on. Joe began working for the SEC in 2007, and also was an inaugural member of the Market Abuse Unit. So, as you can see from those introductions, each of our members are original members of their respective units. Joe, as an inaugural member of the MAU, other than the opportunity to work with our friend Dan Hawke, what drew you to joining the Market Abuse Unit? And before I would ask actually before that, if you could give a little bit of background on the Unit itself, size and geographic scope, I'd appreciate that. Sorry.

Joe Sansone:

No, absolutely. And thanks so much for having me. The Market Abuse Unit currently occupies seven different offices and we have approximately 40 staff throughout the unit, which includes attorneys as well as industry experts that we call specialists. Trying to think back on the creation of the unit and how we kick this off. It's funny. You mentioned Dan Hawke, who was the first Chief of Market Abuse Unit. And it's true that there was one person who was really instrumental in getting me to join the Market Abuse Unit, but it wasn't Dan Hawke. And I think it was Charles or one of the other panelists who mentioned earlier today that the creation of the units was part of a restructuring of the Division of Enforcement that also involved other changes. And one of those changes was the elimination of the branch chief position.

Joe Sansone:

And luckily for me, the woman who had been my branch chief was promoted to assistant director and took a position in the Market Abuse Unit. So I'd love to have a story like Dabney's where I worked on an investigation and I knew that that was what I wanted to do for the rest of my career at the SEC. But the truth is that a big part of my decision was the people. Knowing in particular that Maureen Lewis, my mentor at the time, was going to be joining the unit was really all I needed to know.

Joe Sansone:

But the Unit did have other great things going for it, including a case that had recently been filed, not by the Market Abuse Unit, but by some of its members, which was the Galleon Management case. An insider trading case against Raj Rajaratnam and others. And, to me, looking at that case and the scope of it and the impact of it, that was also something that was really... Drew me to the unit. The idea that we would take on those really tough cases, really complicated cases. But also the idea that we were willing to take on well-resourced defendants and develop those types of cases that would have a big impact.

Jeff Boujoukos:

That's interesting, Joe. I just thought it was a love of insider trading. So I'm glad I got to hear that. Adam, you were an original member of the AMU and Dabney's already covered that you geographical scope of the unit. Did you have any concerns about joining a unit?

Adam Aderton:

First, thanks for having me, Jeff, and the short answer to your question is I didn't. And I think I have a story that closely parallels Joe's story. I was working for a supervisor who was a branch chief at the time, Julie Riewe, and she was going to be joining the Asset Management Unit. I knew I wanted to keep working with Julie and I knew that wherever she was going to go interesting cases were going to follow.

Adam Aderton:

So, that was my initial attraction, but at the same time, I had been working on some cases involving hedge fund misappropriation, hedge fund valuation, some really interesting issues. And I thought I could really get into this. I was very new to the SEC at the time the unit was formed and I thought, "Well, I'll do this for a little while and see where things go." And now, 11 years later, I'm still here. So, it's turned out to be a terrific decision for me. But, at the time, it was at least a little serendipitous in that I probably didn't know enough to even know if I should be having some concerns.

Jeff Boujoukos:

So, LeeAnn, in 2010, there was already a municipal securities working group that I think may have been a precursor to the idea of specialization. Although I will say in coming over to the Commission in 2010, law firms have been specializing for years before then. So it was interesting to see the Commission and the reaction to the idea of specialization. Can you talk about what was different about having a unit as opposed to a working group and what led you to choose to join that group, that unit?

LeeAnn Gaunt:

Sure. Thanks, Jeff. And thanks for having me. Just a quick summary about the unit at the outset. So, we like the other groups, we have staff in several regional offices. We have [inaudible 00:51:52] people in eight offices, we're about 25 people strong, and that includes staff attorneys, supervisors, and our unit specialists, they're people who had previously worked in the industry. And so, to your question about the existence of a working group, which preceded the unit, I actually was not involved in the working group, but I have done a little research in advance of this. And as I understand it, it was a loose informal group of

people who had an interest in munis And so, comparing that kind of a group, I think you can see, as Charles mentioned, it's really no one's day job to focus on municipal bonds, if it's just a working group.

LeeAnn Gaunt:

And so the development, the formation of the unit really gave the Division, the space, and a group of people, the space and time, and the mandate to really focus in a way that had not been focused on before. And I think that was really all the difference between a working group and a committed unit in which the Division and the Commission committed resources in a really serious way. And, in terms of how I came into the unit, it's a little bit more like Joe and Adam's story.

LeeAnn Gaunt:

When the units were first formed, I was a supervisor in the Boston regional office. And at that time, just a historical note, at that time, David Bergers was the regional director of that office. And he was a big believer in Rob Khuzami's vision of these units.

LeeAnn Gaunt:

And he wanted to participate from the Boston office perspective fully. And so there were five units and there were five enforcement assistant directors. And I was one. And essentially, we were told, "Everybody's got to be in a unit." And so we didn't have to do a cage match or anything to figure out who was going to be in what unit. It actually sorted itself out pretty easily, but each of us ended up deciding on a particular unit. And I ended up deciding on what ultimately became the public pension of the Public Finance Abuse Unit. In large part, because I had a person in my group who was still in the unit, Lou Randazzo, who was expert in the Commission and still is on pay-to-play rules, which applied to municipal underwriters. So, just with that background and Lou and I, we joined up and that was how I started in the unit.

Jeff Boujoukos:

So, I'm getting a little bit of reverb. So Adam, one of the questions that I think comes up from the outside looking in, and Dabney talked a little bit about this, the interaction between the Exam staff and your unit. Can you explain how often your unit's meeting with the Division of Examinations at an overarching level, and does the unit track trends in referrals? Does it get involved in referrals at the examination with the Examination staff and referrals to Enforcement?

Adam Aderton:

Sure. So it's a good question. And the short answer is we work really closely with our colleagues in the Division of Examinations. We engage with them and in a few different ways. Dabney talked about how we provide some input into their priorities. Obviously still their priorities, but we provide input based on what we're seeing in our investigations, to the extent we think that those would be helpful. We also meet both in the home offices and in the regional offices with the Exam staff on a regular basis with periodic, usually monthly, referral meetings. On a more ad hoc basis, Dabney and I, and others in the unit will engage with Examinations' national leadership when we're considering particular sweeps, particular initiatives. And so a good example of that is the recent form CRS sweep that we may talk about a little bit later.

Adam Aderton:

We also engage with them even more informally when we're seeing issues in our investigations that we think might have an industrywide application. And so there is a flow of communication from Enforcement back to Examinations about what we're seeing. Similarly, there's a flow of information from

Examinations about what they're seeing to Enforcement as they're identifying new issues and new risk areas. Obviously, they're separate divisions and Examinations doesn't do our work for us, and they don't stalk ahead of us. But we do coordinate with them pretty extensively.

Adam Aderton:

And I think one other important point to make is that it's not just at the leadership level. I think our assistant directors, in most of our offices, have good relationships with the Examination leadership. And I think many of our staff members in the unit have good relationships with frontline examiners. So, I think that there's a lot of benefits to that, for both divisions and ultimately for the Commission and for investors in that information flow is moving quickly and is moving the right direction so that we're making the best decisions that we can. Both on what matters... What we should be looking at, and if there's going to be a referral, what the contours of that might look like.

Jeff Boujoukos:

So, that's... Let me do a follow up on that. So, the nature and character of referrals, I think one of the things that in my time at the Commission, I saw a dramatic change in was the... I don't want to say quality referrals, because I don't want to suggest that referrals didn't have quality. But the thoughtfulness in the interaction between the enforcement staff and the Examination staff with regard to referrals. Can you talk about what influence your units had on that, on the exchange of ideas when it comes to referrals?

Adam Aderton:

Yeah. I hope that if you had someone from Examinations on, they would say that we've been helpful. We've certainly endeavored to be helpful. So what we have done is at the outset, we talk with Exams about the issues that they're looking at to make sure we understand all of the risks and particular issues. As you know, with respect to any particular referral that may be coming over, when we're talking about a specific referral, when we take those referrals, we often do stay in contact with the Exam staff. So, this is after the examination has ended and we'll come back to them as we conduct the information... Or the investigation. They have so much information about the registrant that we don't have. And they have questions maybe that they would've asked if they had more time or had known more facts at that stage.

Adam Aderton:

So, I think that by asking those questions and by coming back and having that feedback loop with Exam staff, I think that makes the next examination and the next referral better. I will also say that we have had Exam staff stay on in investigations that came out of referrals through the investigative stage, which is invaluable for us to have the perspective and the insight that they have from doing the examination. And I think then, Exam staff can take the learning from those investigations back to their next examination. And to the extent there's going to be a referral, maybe sharpen that referral even a little bit more.

Adam Aderton:

One last thing that we've done is we've tried very hard to get back to Exam staff. A, if we elect not to take a particular referral or B, if we take a referral, but it doesn't end up leading to an enforcement recommendation from the Division of Enforcement.

Adam Aderton:

In those cases, we do like to go back to them and close the loop and say, "These are the issues that we ran into. These are the evidentiary issues we found." Sometimes, oftentimes there are things Exams could never have been aware of during the examination. And so, I hope that our efforts are making it easier for

our Exam colleagues to assess whether a particular matter is worthy of a referral. But, I do think it's a really good symbiotic relationship that we have with them.

Jeff Boujoukos:

Thanks Adam. So, I'm going to go to speed round. You all have now seen speed rounds. So, you know what you're going to be asked. I'm going to start with the question about each of you discussing a challenge particular to the unit that you faced and overcame either as chief or as a member of the unit. And I'm going to add a caveat to this. If you say, "Lack of resources," then if you could explain where you would put those resources, if you got them. That might be helpful. So, Joe, I'm going to start with you.

Joe Sansone:

Thanks, Jeff. So, I don't want anybody to get the idea that I don't want more resources, but I'm going to try to focus on something else. And it ties into what Christie and others have talked about, which is thinking back at how daunting it was to get a unit off the ground when staff were located, and at that time, in eight different offices. And we also had a project to hire industry experts into our group from outside of the SEC. Bringing together a group of people in eight different offices, plus integrating staff who had no SE... Or some of whom had no SEC experience at all. And this really, I think, was the biggest challenge of the units. It was really largely solved over time and just having the opportunity for people to work together, I think, and choosing the right people who were collaborative and willing to share, and who were genuinely excited by the work.

Joe Sansone:

And so this has really been, I think part of the greatest success of the units is overcoming those challenges. And, I would say as well, building bridges to others throughout the Division of Enforcement. I saw a huge change from the first years of the unit where we were largely working on our own investigations, more or less with the resources in one particular office to, for example, by the time we were two or three years in, working on the news wire hacking case for example, where we had staff in multiple different offices. Specialists from different offices. IT forensics, OIA, and even other units, really all working together to bring that case, which was filed in August of 2015. And I think from that point, we just continued to expand those relationships and really to benefit from not just the expertise developed within the units, but also other places within the Division.

Jeff Boujoukos:

Thanks for that, Joe. Adam tough act to follow. So, challenge that you had and overcame as either a member of the unit or a co-chief?

Adam Aderton:

Yeah. So I, like Joe, will never turn down resources. And, probably if I had a little more time to think on it, could tell you all kinds of places where I could put more people. But the challenge that I think I want to talk about is just the consistently expanding waterfront of what we have to cover. This is similar to, I think, something that Kristy talked about. But the number of registered investment advisors goes up every year. For most of the years that I've been in the unit, the assets that are under advisement by or under management by those investment advisors goes up every year. There's a proliferation of new strategies every year that are being used by investment advisors. And so the remit of our responsibility grows every year. And so to respond to this, the challenge in a world of relatively fixed resources.

Adam Aderton:

One of the things I think the unit has done really well is to rely on data and to rely on relationships, to figure out where to focus the limited resources that we do have. And so you talked with Dabney a little bit about the share class selection disclosure initiative, which was, full credit to Dabney, her really great idea to get at a problem that we had been seeing over and over and over again. But we've been able to do that in some other areas where we have particular data sets that we can screen, or that we can query to find out where's the best place to deploy our resources.

Adam Aderton:

And then in terms of leveraging relationships, we've worked over the years, as in the unit to develop good relationships with various constituencies in Exams, for example, in the Private Fund Unit, within Exams, we have a really good relationship with those folks. And they've helped us focus on particular issues that we should be looking at. Similarly, in the Division of Investment Management, we've developed relationships with the disclosure review group, developed relationships with the analytics groups. And so they can help us narrow in on the needles that we should be looking at instead of the entire haystack. And so I think that's probably one of our biggest challenges, and I think that's probably one of the best things we've done to try to address it.

Jeff Boujoukos:

So, LeeAnn, to you, biggest challenge and how it was overcome?

LeeAnn Gaunt:

Sure. So I'm not sure it's fully overcome, but the biggest challenge for me was, and probably still is to some extent, the relative lack of precedent in our space, legal precedent in our space. So, notwithstanding, unit's been in operation for about 10 years. Prior to that time, the Enforcement Division brought very, very few cases in the municipal securities and public pension space. And so, as a unit, what we've had to grapple with, in almost every case, is that almost every case is a novel one. Sometimes, it's a somewhat novel theory. Someone's... It's an application of a rule or provision that's never been enforced before. And so, that has been... It's always easier when there's precedent. Someone who's paved the path ahead of you. And I think that's been one of the obstacles, I think, that as a unit, we have overcome.

LeeAnn Gaunt:

And what we've done essentially is, we have extremely strong partnership with the key divisions within the Commission. In particular, the office of municipal securities headed by Rebecca Olsen. We have a partnership with that group that has allowed us to work our way through some of these really novel issues. We're in touch very commonly with the municipal securities rulemaking board, which is a standard setter for conduct within the municipal securities market. And so, I think, we have overcome that challenge, but it's a continuing challenge. I mean, almost every case continues to be novel in some way or other. Maybe it's not so much a bug, but a feature, but we've inculcated a culture where everybody acknowledges that that's how it's going to be. And most of our cases aren't easy.

Jeff Boujoukos:

So, Joe, I want to pick up on one thing that you mentioned just a moment ago, and that's the ability for the unit to hire specialists. And as you know, that was an aspect of this structure, this change that was certainly felt in Philadelphia, in particular with the addition of the Market Abuse Unit and the hiring of specialists. Do you think that the unit structure made the hiring of the specialists that you have in the unit possible? And also, can you talk about the types of experts the MAU has hired and to what effect?

Joe Sansone:

Yeah, I'm not sure that it was anything in particular about the structure of the unit. But I think more the newness of the unit and the fact that a...

Joe Sansone:

So the unit and the fact that experimentation was encouraged. And, in the case of the specialist, the experiment was to bring people in from outside of the SEC, and who were not lawyers, which is the typical SEC hire. To bring these people into the Enforcement Division and to use their knowledge and skills to assist us in our investigations. And I think that it was really a tremendous success, but not necessarily in the ways that we thought it would be. And I guess one aspect, in particular, is that it gave us the ability to conduct data analysis that the Division really had not had, or had only had in small pockets. Because what these industry experts brought with them was not just subject matter expertise, but a skill set, a data analytic skill set, and it really paired well with some of the existing resources that we have.

Joe Sansone:

So you asked about who these specialists are. I would put them broadly into two groups. We hired people with expertise in trading strategies, as well as data analytics and broker dealer back office practices. And then we had a number of homegrown experts, who were expert in SEC systems and SEC data collection. And in some cases, experts in subject matter, such as market structure.

Joe Sansone:

And really, it was kind of the pairing of those two groups that allowed us to create data analytics tools that we still use, allowed us to scrub the data that is so essential to many of our investigations to produce accurate data that we could rely on for the purposes of conducting those investigations. As well as creating visualization tools that the staff could use to see data and to understand kind of more clearly what was going on which we use in our investigations. And some times even in testimony when we're seeking to develop evidence in our investigation. So that's kind of an overview of our work on that area. And again, it's been one of really the pleasures of working in the unit is to see that develop.

Jeff Boujoukos:

So LeeAnn, same question to you. Does having a unit give you, I don't want to say a better case because the case is the same, but maybe a more direct case for additional resources and has the unit hired specialists to assist it in its enforcement activities?

LeeAnn Gaunt:

So it's a great question. And particularly within the PFA unit, our unit specialists are absolutely critical to all of our cases. And so our unit specialists probably come in a couple of different groups. We have first and foremost, Mark Zaner, who is the deputy chief of the unit. So he sort of serves a dual function, but he is a former bond lawyer. And within the municipal securities market, it's not just federal securities laws. In fact, that's the least of it. Tax law is a big feature and state law. Each state has different laws associated with issuing municipal bonds, and there's no real federal regulatory scheme associated with this. So having a bond lawyer within the unit as a kind of specialist, it has been absolutely critical to the unit success.

LeeAnn Gaunt:

And then the other unit specialists, we have three within the unit have all actually been with the unit since its inception. They've all come from outside of the SEC and brought that really important market participant perspective. We have former muni-credit analyst, a former muni-trader and municipal accountant. And municipal accounting is entirely different from regular accounting. And I think our unit

specialist may be the only person within the sec who has this expertise. And so we have really benefited from them. It is hard for me to imagine, even with the many years of experience that our staff attorneys and supervisors have developed over these years, that it is hard for me to imagine that we could be as effective as we are in a smart and efficient as we are without those folks. And in addition, they actually work on cases outside the unit. They consult with folks over in Exams and, they really multiply the efficiency.

Jeff Boujoukos:

So Adam, let's shift for a moment and ask you about, you had mentioned just a moment ago, the form CRS sweep and which, for those of you who aren't aware, the Division of Enforcement announced actions against 21 investment advisors and six broker dealers in July of this past year, or in July, 2021, I should say, for failing to timely file and deliver their client or customer relationship summaries. And in looking at the final paragraph of the press release, which maybe only people who worked at the SEC ever really do, you see a number of different constituencies that are credited with work on this matter. Can you just talk for a minute about the leadership role that your unit played in that effort? And also what you see in the future on this kind of Reg BI sweep and enforcement. Not to get too in the moment, but I think it's a great example of the work that your unit's doing.

Adam Aderton:

Yeah. Thanks. I appreciate that. And I think the best way to think about what AMU did on this project is sort of quarterback collaboration amongst a number of constituencies. So that last paragraph of the press release on this one is particularly telling in that it states that some of the investigation between our IAs came from compliance examinations and thanks them for their assistance. And then the orders for the particular individual actions in this sweep. We're also eliminating and that the orders for the settling RIA note that it's set on investment advisors note that exams conducted, contacted the registrar twice before the registrar filed the form CRS. And then the orders for the settling broker-dealers note that FINRA contacted the registrar before the firms complied with Reg BI on the enforcement side. There are a lot of names, and not all of those names are in the unit.

Adam Aderton:

And so we really thank the staff from the core side, who, who assisted with this sweep, and then the AMU staff are distributed across the country. And so I think one of the things that the unit really brought to this sweep is the ability to keep all of those trains moving on all of that, everything moving in the same direction and to bring in everything that Exams identified, everything that FINRA identified and then coordinate those things so that we could put them in a package for sort of maximum market impact.

Adam Aderton:

And, you know, I think that's one of the things that the unit I think is well positioned to do because of the national presence, because of the relationship with Exams. And so, yeah, I think, I think it's a really good example of something that we do well in the unit with a lot of assistance from folks outside the unit on the core side, and with a lot of assistance from the folks in Exams. As far as where Reg BI is heading, I'd say it's sort of where the facts are going to take us. But I do note that the Division of Examinations priorities as identified best Reg BI as a priority, and that the statement identifies components of Reg BI that may be the subject of a focus in the next phase of examinations.

Adam Aderton:

You know, I think folks who've been around the SEC for a long time, recognize that often enforcement actions follow from examination focuses. Not always, but often. And two of the things that were identified were how firms have considered costs and making a recommendation, and the processes for

personnel have used to recommend complex products. I'm not saying that's where cases will be, but I could see those as areas that might be a worthy of exploration.

Jeff Boujoukos:

Thanks for that. Leanne, I'm going to come back to you for a little bit of SEC inside baseball not to make a baseball pun here. But there's whole process as all of you are aware, but maybe many don't know that of routing of tips, complaints, and referrals. So one of the changes that was put in place in January, 2010, that we really haven't talked about is a whole new process for handling tips, complaints and referrals. Does your unit get, if there's a tip or complaint about a Muni issue or municipal securities issue, does that come to your unit? Is there any special review that's done of those tips to make sure they're going to certain units?

LeeAnn Gaunt:

Yeah. So within the office of market intelligence, which is part of the development of that new process that you're talking about, there are people who are assigned to review and triage incoming tips, complaints, and referrals. And I think it's fair to say that to the extent to any typical thing to a referral, even remotely approaches a municipal bond or municipal security, a public pension, they will refer those tips and referrals to us for considered for further consideration. As I noted, this is a nuanced kind of unfamiliar territory, even for people who've been working in it for a while. And so, it makes all the sense in the world for those tips to come to our unit. And I, and I think that the same is true with respect to other units, but particularly within the public finance space unit where the subject matter is so unique it's important that they come to us and typically do.

Jeff Boujoukos:

So, Joe, at one point that Rob Khuzami made when in January 2010, when the units were announced was that specialization would help the Enforcement Division as a whole. And by building a level of expertise that could then be passed on to others. And I think that we've heard that from a number of the panelists today. Can you explain for a moment about how the market abuses unit of resources? you've talked about some of these data analytic techniques and that have been developed by the unit, did those get pushed out to the Division of Enforcement staff as a whole, or are they just kept within the unit?

Joe Sansone:

No, it's and thanks for the question. It's somewhat of, kind of SEC inside baseball. But I think one of the things to remember about the market of beauty, the other units at the time of their creation is that there was considerable concern that the units would deplete the existing caseload - investigative caseload, or that they would take the other staff. And so, one of the things that we sought to do from the beginning is to be a net generator of investigations and investigative leads. And over the years, as we develop these analytical techniques, we've done two things, or maybe three or four things, but a couple that I'll highlight is that it's often the case that when we find some suspicious trading, that we don't necessarily have the resources, the investigative resources to commit to that.

Joe Sansone:

And so we will try to find other homes for these investigative leads. And then also work with the staff who were investigating those cases to help further develop the leads, and provide guidance along the way. In addition to lead generation, we're often consulted on referrals that the staff receives from FINRA concerning insider trading, or manipulation, or other market related frauds. And I think often that the value that we can add there is to help the staff understand the scope of the scheme and the scope of what they're looking at by doing some of our own analysis to maybe build on the referral that the staff receives through the TCR system. We don't have anywhere near the resources to do every insider trading case that

that comes across our plates. So it really is important that we build these relationships and serve as a resource to the rest of the Division.

Jeff Boujoukos:

And we certainly saw that. And I think that's certainly the case. So I'm going to move to the second speed round. If you could, just in a moment, tell us what the most rewarding part about being in the unit or being chief of the unit is. Can't use anything anybody's already said. No, I'm just kidding. So, but love to hear from you all on that. So Adam, why don't we start with you?

Adam Aderton:

Sure. And I think I'm going to circle back to sort of where Dabney started with the unit and with, you know, the people who had sat down in front of her and had lost everything. One of the things that has been most rewarding to me is working with the outstanding staff that we have in the unit, who consistently develop really creative and efficient ways to protect investors, including retail investors, like the ones Dabney was taking testimony from. And over the last few years, our work has resulted in the return of about \$500 million to harmed investors. And that's something that, at the end of the day, I just feel really, really good about the efforts that we've made to protect retail investors. And one last point on it, a lot of our actions, I feel like, have also changed behavior going forward so that not only are we returning money, but we're hopefully highlighting and improving practices, so that future clients don't ever lose the money in the first place and putting those things together. I found that incredibly rewarding in my time in the unit so far.

Jeff Boujoukos:

So Joel, I'm going to turn to you most rewarding part about being a chief of the unit other than being able to work with Dan Hauck and Rob Cohen.

Joe Sansone:

Well, I mean, that's right up there. No doubt, but I mean it's, and again, it's very similar, which it really is. And, in particular, we've got staff in market abuse, unit two,

Jeff Boujoukos:

I'm sorry. I think we've lost Joe for a second. He's frozen.

Joe Sansone:

Sorry. Am I...

Jeff Boujoukos:

You're coming in and out of it.

Joe Sansone:

I'm sorry. Why don't we move to Leanne unless you can hear me now.

Jeff Boujoukos:

We can hear you now.

Joe Sansone:

Okay. So, so sorry for the technical difficulties. I was just saying, I think it really is the people. We have staff who've been at the SEC for many years, long before the units were created. The enthusiasm, the ingenuity that they bring to their cases every day is it's just inspiring. Really a staff that is completely unwilling to leave good enough alone and always trying to improve on our investigative work product to find cases that that just haven't been found before. So that that's what keeps me going.

Jeff Boujoukos:

And Leanne, you're our anchorman here.

LeeAnn Gaunt:

At least I'm not the elder statesman. Thank you for that.

LeeAnn Gaunt:

I think my, my response on this one is as much the same. I mean, it's really about the idea that our expertise, our focus, our commitment has led the unit to be in a position to detect abuses and to protect some very vulnerable participants in the, particularly in the municipal bond market, including, for example, small unsophisticated issuers, like a library or something. And also retail investors who are by far the largest holders of municipal securities. And so, the idea that we have developed that kind of expertise and, to be able to protect those market participants is really probably the most rewarding part of this.

Jeff Boujoukos:

Well, that's a great way to end. And before I turn it back to Annette, thank you, all of you, all our panels for participating today and for giving us your time. I know you're playing hooky on part of SEC Speaks, and we really appreciate you taking the time today, and talking about the history of the units and some of the challenges, and also some of the successes, that you all have experienced. So thank you very much. And with that, I'm going to turn it back to Annette.

Annette Nazareth:

Well, thank you so much, Jeff. That was a wonderful program. And thank you to all the panelists for such a thoughtful and insightful discussion.

Annette Nazareth:

For anyone unable to listen in today, the Society will be adding this program to our permanent collection of the virtual museum soon after today's broadcast so there'll be other opportunities to view this. I also want to thank Morgan Lewis for its support of today's program, and for its very generous support for the virtual museum, for frankly the last 12 years. So it's very, very helpful. It's the financial support from organizations like Morgan Lewis and from our viewers, that enables us to preserve the history of our securities markets with unique programming like you've seen today. So if you haven't had a chance to make a donation this year, we would greatly appreciate your support. Every dollar for our small organization goes a very long way. You can click on the "Give Today" button that's at the top of the homepage for a list of support options.

Annette Nazareth:

So again, thank you so much to our panelists for their terrific insights and to our viewers today for joining us. And I hope you have a great evening.