

Securities and Exchange Commission

[Marty Schultz-Akerson]

This week, we take a break from examining law firms, per se, and instead look at a huge government agency that employs about 1,500 attorneys. The SEC has an interesting history and modern attitude toward new technologies, all of which adds up to an exciting place to practice.

Although the layperson might think of the Securities and Exchange Commission as primarily an employer of accountants and economists, nearly half of the agency's 3,000 employees are lawyers. The SEC celebrates its 70th anniversary this year with a heavy docket of nationally publicized cases and after the recent attention to white-collar crime, a reaffirmed mission of safeguarding investors in the vibrant but potentially vulnerable U.S. securities market.

Five commissioners who are appointed by the President of the United States govern the SEC. To ensure a non-partisan stance, no more than three commissioners can hail from the same political party, and their appointments are staggered so that every year one commissioner steps down, making room for a new perspective. Although the SEC keeps its headquarters in Washington, DC, it also houses 12 regional offices in financial hubs across the country.

Investors of the Roaring 20s and previous generations placed little credence in the idea of stringent securities regulation, and it was not until Black Thursday brought the world of high finance to its knees that the formation of the SEC became a reality. In response to the stock market crash of 1929, Congress first passed the Securities Act of 1933, which requires the disclosure of information to investors and outlaws securities fraud. One year later, the Securities Exchange Act of 1934 gave birth to the SEC, which has since fought off the prospect of a second Great Depression as the nation's premiere securities law-enforcement agency.

Although many of the foundational laws of the SEC were passed by 1940, recent additions serve as a useful indication of the agency's attempt to keep pace with innovations and present challenges in the areas of investment and business. For example, the Sarbanes-Oxley Act, which President Bush signed in 2002, was created in response to mounting concerns over corporate scandals most famously exemplified by Enron and WorldCom. Perhaps the most significant change to securities laws since the New Deal, Sarbanes-Oxley places even stronger emphasis on proper disclosure of information to investors and the enforcement of codes of professional ethics for executives. In addition to white-collar crime, technological advances in investing (such as on-line trading) and the globalization of the market stand as current challenges for the SEC.

Lawyers at the SEC often work on cases that involve some of the most prominent corporations and business leaders in the world. Recently, Halliburton agreed to pay \$7.5 million in fines to resolve a claim brought by the SEC. Allegedly, the company, which was headed by Vice President Dick Cheney at the time, neglected to announce the implementation of a change to its accounting process that resulted in a 46% overstatement of its pre-tax revenue.

The SEC also affects business practices indirectly, as exemplified by the tension-filled weeks before Google's landmark IPO in August 2004. Although the SEC did not bring any charges against Google, the mere threat of its presence led Google to disclose

two possible violations of SEC violations. The first involved the improper issuance of stocks to its employees. The second, not without irony, came with the release of an interview Google's founders had done with Playboy magazine that some believed violated an SEC rule mandating a quiet period before an IPO.

The SEC's widespread and complex involvement in the securities markets translates into the need for lawyers with a diverse set of skills and specialties. The main legal divisions of the SEC workforce are: enforcement, corporation finance, market regulation, investment management, general counsel, compliance inspections and examinations, and international affairs. While some SEC lawyers may dedicate their time to the investigation and litigation of securities fraud claims, others might focus on analyzing disclosure statements, creating new SEC rules, or interacting with regulatory counterparts abroad. Across the board, SEC lawyers work closely with accountants, economist, financial analysts, and other professionals in the securities industry.

With opportunities ranging from entry-level law clerk to supervisory attorneys, the SEC has something to offer legal professionals at all stages of their careers. While straight monetary compensation falls below the top market rate in the private practice, a highly competitive benefits package, flexible work hours, and other intangibles provided by a government post counterbalance any shortcomings there may be in salary. In short, lawyers with a particular flair for finance and investment or who are simply seek-



ing a stimulating alternative to the private
practice, might find their ideal job at the
Securities and Exchange Commission.