

Regulating Financial Markets under Obama II: Wall Street's in Good Hands with Mary Jo White

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On January 24, Obama nominated Mary Jo White as SEC head. "You don't want to mess with Mary Jo," he said.

The Securities and Exchange Act of 1934 followed the Securities Act of 1933. Under the Constitution's interstate commerce clause, it required offers and security sales to be registered. State "blue sky laws" previously governed them.

The 1934 law regulated secondary trading of financial securities. It established the SEC under Section 4 to enforce the new act.

Later came the 1939 Trust Indenture Act, the 1940 Investment Company Act, the same year Investment Advisors Act, Sarbanes-Oxley in 2002, the 2006 Credit Rating Agency Reform Act, and Dodd-Frank in 2010.

SEC regulators long ago abandoned their mandate. The agency was established to enforce federal securities laws, the security industry, the nation's financial and options exchanges, and other electronic securities markets and instruments.

In the 1930s, they were unknown. They include derivatives and other forms of speculation. In principle, SEC is charged with uncovering wrongdoing, assuring investors aren't swindled, and keeping the nation's financial markets free from fraud and other abuses.

For decades, it's been weak-kneed. Under George Bush, it was more facilitator than enforcer. It's a paper tiger. It abandoned the public trust. It operates the same way under Obama. It

- turns a blind eye to fraud and abuse;
- protects Wall Street, not investors;
- neutered its enforcement staff's authority;
- adopted voluntary regulation; and
- lets investment banks hold less reserve capital, as well as freely use leverage speculatively.

Wall Street gets a free hand. Major banks take full advantage. At most, they get occasional

wrist slaps. Fines imposed are pocket change. Prosecutions don't follow. Mega-crooks are free to keep stealing. They take full advantage.

Mary Schapiro was SEC head from January 2009 - December 2012. She's a consummate insider. She spent years promoting self-regulation.

She formerly headed the National Association of Securities Dealers' (NASD). She ran the Commodity Futures Trading Commission. Her expertise includes quashing fraud investigations.

She took full advantage in subordinate SEC positions under Reagan, Bush I and II. She did the same for Obama as agency head.

The Wall Street Journal noticed. It said her regulatory record showed she "infrequently pursued tough action against big Wall Street firms."

Expect Mary Jo White to operate the same way. She's a consummate insider. She's considered safe. Why else would Obama choose her? He's beholden to Wall Street. Money power owns him.

On January 24, a [Wall Street Journal](#) editorial headlined "Political Regulators." It commented on White's appointment.

She "stood up to terrorists and mobsters." Can she "do the same for Wall Street?"

"(W)e remember cases when she wasn't so tough." The 1996 Clinton-Gore campaign-finance scandal was one of many.

She asked Congress to "back off its probe of the AFL-CIO's Rich Trumka." At issue was compromising her own investigation, she said. It was more whitewash than scrutiny of wrongdoing.

White targeted small players. "None of this bodes well" going forward, said the Journal.

"The media's Obama Protection Club may consider us rude for bringing all this up, but then a little scrutiny might make Ms. White more likely to resist Democrat pressure for politicized law enforcement."

White is Wall Street's new enabler-in-chief designee. She's the first former prosecutor to head SEC. As US attorney for the Southern District of New York, she prosecuted alleged terrorists and crime bosses. She got Mafia boss John Gotti convicted of murder and racketeering.

Occasionally she targeted small Wall Street players. She didn't lay a glove on big ones. She's a former Nasdaq director.

She currently heads Debevoise & Plimpton's litigation department. It's a New York-based international law firm. It serves corporate clients. Its Wall Street ones include a rogue's gallery of white collar crooks.

JP Morgan Chase, Goldman Sachs, Deutsche Bank, HSBC, UBS and Bank of America among others are represented.

White defended B of A's former head, Ken Lewis. Until stepping down in September 2009, he was Bank of America chairman, president and CEO. He reflects the worst of Wall Street crooks. He's got lots of company.

White's husband, John White, represents an obvious conflict of interest. He formerly headed SEC's corporate finance section. He's now at Cravath, Swaine & Moore. It's a prominent New York law firm. White lobbies against regulation.

It hardly matters. Getting tough on crime isn't Mary Jo's mandate. Too big to fail means too big to jail.

Expect no change on White's watch.

Expect business as usual at SEC. As top regulatory cop, she'll take full advantage. Her predecessors did the same. Whitewashing crime in the suites pays. Lucrative private sector jobs follow government service.

White will be better than ever rewarded when she leaves. She knows the game and plays it. She did it before. She'll do it again. Career prospects depend on it.

Matt Taibbi addressed what goes on. He headlined his [Rolling Stone](#) article "Why Isn't Wall Street in Jail?"

Corporate bosses aren't prosecuted. "Nobody goes to jail." Nobody except occasional minor players. "(F)ederal regulators and prosecutors (let) banks and finance companies" get off easy.

Whitewash is policy. A "mountain of evidence indicates that when it comes to Wall Street, the justice system not only sucks at punishing financial criminals, (it's become) a highly effective mechanism for protecting" them.

Taibbi quoted former SEC chief accountant Lynn Turner saying:

"I think you've got a wrong assumption - that we even have a law enforcement agency when it comes to Wall Street."

Open and shut cases are whitewashed. Others are placed in a "deal with later" file. Later never arrives. The most high-profile cases get "gummed up in the works, and high-ranking executives" get off scot-free.

It's standard practice for Wall Street. The Street's biggest crooks aren't touched. They're free to steal again. Crime pays. Regulators cash in.

"The Revolving Door isn't just a footnote in financial law enforcement," said Taibbi. "Over the past decade, more than a dozen high-ranking SEC officials (took) lucrative jobs at Wall Street banks or white-shoe law firms."

Partnerships are worth millions. Banks pay top executives multiples more. "All of this paints a disturbing picture." It reflects a "closed corrupt system."

Powerful interests get their way. Obama's no different from Bush and earlier presidents. He allocated "massive amounts of federal resources" going after the wrong people.

“So there you have it. (Undocumented) immigrants: 393,000. Lying moms: one. Bankers: zero. The math makes sense because the politics are obvious.”

Winning elections and profiteering out of office depend on “bang(ing) on the jailable class.” Innocent people fill prisons. Others committed misdemeanors too minor to matter.

Steal “a billion” and stay free to steal more. It’s the American way. White’s job is seeing nothing changes. [Accounting Today](#) warned us, saying:

In February 2012, she addressed a New York University School of Law forum. Prosecutors must not “fail to distinguish what is actually criminal and what is just mistaken behavior, what is even reckless risk-taking, and not bow to the frenzy,” she said.

At Debevoise & Plimpton, she represented some of Wall Street’s worst. She’ll do likewise at SEC. She’s part of the system. She’s safe. She won’t disappoint.

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His new book is titled “Banker Occupation: Waging Financial War on Humanity.”

<http://www.claritypress.com/LendmanII.html>

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<http://www.progressiveradionetwork.com/the-progressive-news-hour>

<http://www.dailycensored.com/wall-streets-in-good-hands-with-mary-jo-white/>

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