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New Self-Regulator For U.S. Securities: It's Simply 'SIRA'

The Moniker May Soon Be
Well-Known to Bad Guys;
SEC Still Must Approve

By **JAIME LEVY PESSIN**
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The new self-regulatory body governing the securities industry will be called the Securities Industry Regulatory Authority, or SIRA.


NASD Chairman and Chief Executive Mary Schapiro, who will lead SIRA when the member regulation arms of the NASD and NYSE Regulation join forces as expected, plans to announce the new name at a 1 p. m. EDT speech at the Exchequer Club in Washington, D.C.

The deal between the NASD and NYSE Regulation, a unit of **NYSE Euronext** Inc., is expected to be finalized in the next few weeks. The two self-regulatory organizations announced their intention to combine in November and are waiting for the Securities and Exchange Commission to approve the deal. SEC Chairman Christopher Cox has said he supports the plan.



Mary Schapiro

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Creating a unified self-regulatory body will be a big help to the 200 or so NYSE-regulated brokerage firms, which are also required to be registered with the NASD. In her remarks, Ms. Schapiro says that group of firms accounts for 80% of the industry's revenues.

Although the securities industry voted to approve bylaw changes that will allow the NASD-NYSE Regulation deal to go forward, a cadre of small firms voiced loud opposition, partly out of concern that they would be held to the same standards as bigger, more sophisticated firms.

In her prepared remarks, Ms. Schapiro says the new regulator, in trying to ensure investor choice, will be "losing the blinders of 'one size fits all' rulemaking," and will use more tiered regulation based on firms' sizes and business models.

Ms. Schapiro also says in her prepared remarks that SIRA will be more proactive, at times pushing for a more principles-based approach to regulation, such as the one used in the U.K. "But I hasten to add that we're not going to throw out the rulebook and simply rely on principles to guide firms," she says.

In the speech, she points to cultural differences between the Financial Services Authority in the U.K. and the U.S. regulatory structure.

"Our culture is, rightly or wrongly, one where U.S. regulators are many times judged by the number of enforcement cases they bring against firms," she says. "I agree that is an important aspect by which to judge the work of regulators, but it should not be the only way."

Along the same lines, Ms. Schapiro says, SIRA -- which will have about 3,000 employees -- will try to help firms meet their compliance and regulatory obligations.

"At one time the automatic response to potential problems was to write a new rule," Ms. Schapiro says. "But there should be no automatic response.... Even where rules are the right answer, it is no longer sufficient to write a rule and walk away."

Instead, she says, SIRA will use best practices, guidelines, education and task forces to help anticipate emerging problems and find solutions.

Another goal Ms. Schapiro cites in the speech: making sure investors get adequate protection no matter what products they're buying and what regulators govern those products.

She also says the new regulatory body will focus on investor education.

"The challenge for SIRA will be to protect investors...and keep the markets fair while allowing the industry to thrive during a time of heightened competition and globalization," she says. That challenge will require a commitment "to modernizing the regulatory structure by using what works, discarding what doesn't and being open to new ideas and approaches."

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