
Spotlight on Chairman Schapiro

By Editor Test *Wed, Feb 10, 2010*

Lawsuits questioning the competence and integrity of the SEC chairman were discussed at a closed-door meeting of the FINRA board of governors in New York February 10.

The board of the Financial Industry Regulatory Authority will meet today in New York to review charges that former FINRA executives, including current SEC chairman Mary Schapiro, received excessive compensation, and to decide whether to try to recoup some of the money.

The board of the brokerage industry's self-policing body will review whether FINRA management mismanaged its affairs by paying senior executives nearly \$30 million in salary and bonuses in 2008 while FINRA lost a reported \$696 million on its own investment portfolio.

FINRA is taking action as a result of a lawsuit by Amerivet Securities Inc., a FINRA member firm in Inglewood, Calif. The civil lawsuit was filed in Superior Court of the District of Columbia last August 10.

[The Amerivet complaint](#) goes beyond compensation issues. It charges that FINRA was negligent in its watchdog role and failed to protect securities firms and the public against the activities of Bear Stearns, Lehman Brothers, Bernard Madoff and others at the center of the 2008 financial crisis.

Advertisement "FINRA did nothing to stop the egregious wrongdoings of these and other miscreants nor to inform the investing public that improper and illegal conduct (including massive securities frauds) was occurring on a grand scale," the suit said.

The Amerivet suit is tied to at least two other lawsuits, one filed by Benchmark Financial Services and the other by Standard Investment Chartered, Inc., against former FINRA executives.

They charge that 5,100 NASD firms were deceived into taking only \$35,000 each after voting in favor of the creation of FINRA out of the NASD and New York Stock Exchange regulatory groups, when they were entitled to much more, based on FINRA's estimated worth of \$1.6 billion, court documents show.

At least two of the lawyers in the Amerivet suit, Jonathan Cuneo of Cuneo, Gilbert & Laduca LLP in Washington, D.C., and Richard D. Greenfield, of Greenfield and Goodman LLC in New York, are lead attorneys in the two other lawsuits against FINRA.

Together, the three lawsuits accuse the sitting SEC commissioner, Mary Schapiro, of not just incompetence in the financial crisis but also with helping defraud thousands of investment firms of millions of dollars in payouts they should have gotten by voting for the NASD-NYSE regulatory merger.

The suits also question whether the securities industry can or should police itself, especially in light of FINRA's failures to do so effectively in recent years.

Thirteen current and former executives of FINRA made more than \$1 million apiece in 2008, according to tax forms that FINRA filed in November and the company's annual report.

As chief of FINRA, Ms. Schapiro received about \$3.3 million in salary and bonuses in 2008, including \$937,000 in base salary, \$1.9 million in incentives, and \$520,000 in "other reportable" compensation.

According to court documents, she also received a \$7.2 million severance package from FINRA after she accepted President Obama's appointment to run the Securities and Exchange Commission.

Other highly-compensated former FINRA executives were former chief administrative officer Michael D. Jones (\$4.43 million), who is now chief operating officer of the Public Broadcasting Service; Elisse B. Walter (\$3.8 million), now with the SEC; and Douglas Schulman (\$2.8 million), now commissioner of the Internal Revenue Service.

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