

SEC Shake-Up: President-Elect Trump Expected to Make Key Appointments



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In the wake of the election of **Donald Trump** as the 45th President of the United States, **Mary Jo White** has [announced](#) her intent to step down from her role as Chair of the **Securities and Exchange Commission**. Chair White, the 31st and one of the longest-serving Chairs of the SEC, will be leaving her post at the end of the Obama administration in January.

SEC, Seal

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The outcome of the election and Chair White's announcement are sure to kick off an avalanche of prognostication about her successor, the direction of the SEC, and the fate of some of the laws that govern the securities industry, most principally the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. There is already speculation that President-elect Trump will designate a Chair who is a proponent of smaller government and

deregulation to steer the agency charged with overseeing the securities industry.

Beyond designating a Chair, however, President-elect Trump will be in a position to overhaul the makeup of the SEC during his administration. Upon assuming office, President-elect Trump will be authorized to appoint three of the five SEC Commissioners, in addition to designating the next Chair - with a fourth Commissioner appointment as early as June of 2017. This is particularly important in an agency that relies on Commissioner votes for each decision, order, rule or similar action. However, despite his broad appointment powers, President-elect Trump will not be permitted to remove any of the remaining Commissioners, nor will he be permitted to "stack the deck" by appointing only Republicans to fill all of the open Commissioner seats.

The SEC was created by the Securities Exchange Act of 1934, and consists of five Commissioners. Each Commissioner is appointed by the President, with the advice and consent of the Senate, for staggered five-year terms. A Commissioner may serve an additional eighteen months, but typically a Commissioner will step down prior to the expiration of his or her term.

While the President appoints the Commissioners, and also designates the Chair, the President does not have the power to remove Commissioners. Therefore, while Chair White could have continued to serve as a Commissioner until the expiration of her term in June of 2019 regardless of the outcome of the election, President-elect Trump would have been permitted to exercise his authority to designate a new Chair.

The SEC is also a non-partisan agency. By law, no more than three of the five Commissioners may belong to the same political party. For example, there are currently three Commissioners - Chair White (I), Commissioner Kara Stein (D), and Commissioner Michael Piwowar (R). Two of the Commissioner seats are currently vacant, and with Chair White's impending departure, President-elect Trump will have the power to appoint three of the five Commissioners, and designate the Chair. Additionally, Commissioner Stein's (D) term is set to expire in June of 2017, which would result in an additional appointment for President-elect Trump in the near future. Assuming that Commissioner Piwowar remains - only two of the open seats may be Republicans.

Lastly, given the anticipated changes at the Commission's highest levels, it would not be uncommon to see the departures of one or more of the senior SEC officials most responsible for setting and discharging agency policy, principally the heads of the five SEC Divisions - Corporation Finance, Enforcement, Economic and Risk Analysis, Investment Management, and Trading and Markets - or the directors of the SEC's eleven regional offices.

Despite the turnover and uncertainty, the SEC will continue its operation as a deliberative body even after Chair White's departure. Indeed, federal regulations provide that a quorum of the SEC shall consist of three members, and that if the number of Commissioners in office is less than three, a quorum shall consist of the number of members in office. However, while there remain many unknowns about President-elect Trump's administration, it is fair to assume that the SEC, for one, is sure to look - and perhaps act - much differently.

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