

## [Securities Regulation Daily Wrap Up, DODD-FRANK ACT—Senators ask SEC Inspector General to investigate Piowar moves, \(Mar. 30, 2017\)](#)

Securities Regulation Daily

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By [John Filar Atwood](#).

Four U.S. Senators have written to the SEC Inspector General asking for an investigation into whether several recent moves by Acting Chair Michael Piowar, including his call for additional public comment on the already-approved pay ratio rule, are legally permissible. Senators Bob Menendez (D-NJ), Elizabeth Warren (D-Mass), Brian Schatz (D-HI) and Sherrod Brown (D-Ohio) claim, among other things, that Piowar's actions may lack adequate justification and may exceed his authority as Acting Chair.

In addition to the reopening for comment of the pay ratio rule, the Senators are troubled by Piowar's request that the SEC staff reexamine 2014 guidance on the conflict minerals disclosure rule. In their [letter](#), they also called into question reported moves by Piowar to scale back the SEC enforcement staff's power to initiate subpoenas and to conduct investigations into alleged financial misconduct.

**Insufficient grounds.** The Senators said that Piowar has made no secret of his dislike of the conflict minerals and pay ratio rules. However, in their view, his personal distaste for a congressional mandate is not sufficient grounds to attempt to weaken an SEC-approved final rule. They also noted that he appears to have undertaken these actions without consulting and seeking the approval of Kara Stein, the only other current SEC Commissioner.

In arguing that Piowar may have overstepped his authority, the Senators noted that his position as Acting Chair is temporary, and that he was not confirmed by the Senate. Moreover, the SEC has lacked a traditional quorum during Piowar's entire tenure as Acting Chair because there has only been one additional confirmed commissioner, they pointed out.

**Short-term caretaker.** Despite these limitations, the Senators alleged that Piowar "has decided to jumpstart the deregulatory agenda, freezing unfinished Dodd-Frank requirements and opening the door to scaling back some completed rules he considers politicized." In their view, this represents a major exertion of authority for a position widely viewed as a short-term caretaker.

**Clayton not consulted.** The Senators argued that there is no evidence that any of Piowar's actions are favored by incoming SEC Chair Jay Clayton. At his confirmation hearing, Clayton testified that he had not been consulted about Piowar's change to enforcement policy, did not know enough to determine whether it was appropriate to reopen the pay ratio rule, and had no specific plans to revisit any Dodd-Frank rules.

The Senators asked the SEC Inspector General to conduct an investigation into Piowar's decisions regarding conflict minerals, the pay ratio rule and enforcement powers to determine whether they are legally permissible and in keeping with the SEC's core mission. They asked the Inspector General to examine, among other issues, whether Piowar provided a valid substantive justification for the changes, whether he provided adequate public notice and comment periods, and whether he is carrying out the actions at his own initiative or in consultation with other affected parties.

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