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More SEC Staffers Jump Ship in Chairman's Wake

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Turnover continues in the executive offices of the SEC following former chairman William Donaldson's departure.

Several officials close to Donaldson have also recently given notice. The departures include Peter Derby, managing executive for operations and management, and Joseph Hall, managing executive for policy, the agency has announced. Director of Public Affairs Matt Well and Division of Enforcement chief litigation counsel David Kornblau have left, as well.

The first two worked closely with Donaldson, so it's not surprising that they would leave following Donaldson's resignation, industry observers say. Typically, incoming chairmen like to appoint their own personal staffs, with whom they often have longstanding relationships. Those pros often view such positions as short-term opportunities to work closely with influential agency heads.

Hall, for example, says he joined the SEC in 2003 intending to stay for just a couple of years. He was commuting back and forth between Washington and New York during that time. Now he's heading back to the Big Apple, he says, to rejoin **Davis Polk & Wardwell** as a partner.

The other departures, however, are less expected. Kornblau will reportedly take over as head of regulatory affairs for **Merrill Lynch** in September. Matt Well is also planning to seek private-sector opportunities, according to a statement issued by the SEC. Well could not be reached for comment by press time.

Those changes come just a few short months after the resignations of Division of Investment Management director Paul Roye and Division of Enforcement chief Stephen Cutler.

The departures coincide with a raft of controversial rule proposals that culminated last month when a U.S. court of appeals judge sent the independent directors' rule back to the SEC for further consideration.

Presiding over his last SEC open meeting, Donaldson obtained the required majority support to pass the proposal in a last-minute vote that the two dissenting commissioners called shameful.

Nonetheless, the timing of the recent resignations may have more to do with moving logistics and the rising marketability of compliance pros than with attempts to escape swirling insinuations of heavy-handed rulemaking and the cultivation of personal agendas.

First, there's the school year to consider. People with children often like to move in the summer because it makes the transition to a new school easier. Then there's the rising demand for seasoned regulatory experts.

"The market for compliance-oriented professionals has boomed," says **Schulte, Roth & Zabel** partner George Silfen. "So many individuals in the compliance industries are looking to capitalize on the peak of the market. If you work for a regulator, it would seem a good time to find a nice opportunity in the private sector."

Industry observers aren't yet expecting major changes for mutual funds because of the recent departures. The most important positions for the industry, they say, will be the new commissioner and Division of Investment Management chief.

"The new commissioner will set the pace," says **Kirkpatrick & Lockhart Nicholson Graham** partner Tim Parker. "The staff will follow his lead. We do have an acting director for the Division of Investment Management, but I can't imagine that he will have any great power until a new commissioner gets in."

Congressman Christopher Cox (R.-Calif.) has been nominated by President George W. Bush and is awaiting confirmation by the Senate. Meanwhile, former commission deputy general counsel Meyer Eisenberg was named acting director of the Division of Investment Management.

Although the vacancies will be tough to fill, Niels Holch, a partner at law firm **McGuiness & Holch**, says the SEC's new pay structure will help.

In 2002, President Bush signed into law the Investor and Capital Markets Fee Relief Act. The act provided pay raises to the staff, bringing SEC salaries in line with other federal agencies. It was intended to bring down turnover and boost efficiency.

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