

# Professional Insights

*Opinions from Business Leaders We Know and Respect*

## Interview with Ira Hammerman



***“Managing conflicting points of view is an important aspect of SIFMA’s value proposition.”***

### **Ira Hammerman**

Executive Vice President  
and General Counsel  
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Can you share a few highlights of your personal backstory?

I’m a native New Yorker. I was born in Brooklyn, my early childhood years were in Queens, and I lived on Long Island from ages 8 - 18. I attended Emory University in Atlanta, which was a bit of a culture shock, in a wonderful way, as there was a friendliness and hometown atmosphere that I really enjoyed. Even back then, Emory attracted students from the New York / New Jersey area. So, there was a great mix of Southern and Northern cultures, and a great diversity of people to get to know.

The securities industry has always been like the family business, because I’ve had my dad, siblings, cousins, and many family friends involved in it for many years. I don’t think my career path was a big surprise to anyone.

Your father was a highly respected leader in the securities industry for many years. Did he influence your career path?

My dad, Steve Hammerman, likely did have some subtle influence on my decision to go into law, although he wasn’t all “rah rah” that I had to be a lawyer. He worked at Merrill Lynch from the mid-1970s until 2001; except for a 2-year stint when he left Merrill to run the SEC’s Regional New York office. During his tenure at Merrill, he served under five different CEOs. He was General Counsel and Vice Chairman for the company and is credited with

establishing the first credible law and compliance department on Wall Street. He also served on the Board of the New York Stock Exchange and the FINRA (then NASD) Board of Governors.

As a kid growing up, I was directly exposed to the major financial crises during that period, including the Baldwin-United accounting fraud and the Orange County, California bankruptcy. My dad was involved in navigating the firm through those challenges. As a teenager, I also got to know several people on my dad’s senior team at Merrill, and consider many of them to be my friends today.

This unique experience as a teenager and young adult, combined with what I had learned as a political science major at Emory, made my decision to attend Georgetown Law School an easy one for me.

What insights did you gain as a partner at a large, national law firm that have been helpful to you at SIFMA?

I joined Rogers & Wells in 1983 as a summer associate and left as a partner in 2004. During that period, the firm merged with Clifford Chance. In private practice, I was involved in securities regulatory and enforcement issues, counseling clients on how to comply with the law, and assisting them in examinations or enforcement actions. I cut my teeth as a young attorney during the insider trading era, when Rudy Giuliani, as the US Attorney in New York, was pursuing Milken, Boesky, Levine and the rest.

That period of my career not only provided me with first-hand insight into securities law, but also taught me the importance of client service. As a professional at a large law firm, you need to make client service a priority in order to succeed. I've maintained that point of view in my current role as General Counsel at SIFMA, because our organization is all about the members. We treat SIFMA members as our clients, and are extremely responsive to their needs.

## Did the transition from private practice require any personal adjustments?

SIFMA was the Securities Industry Association (SIA) when I joined in 2004. The only professional adjustment I had to make, which was a pleasure for me, involved no longer having to track my billable hours. No more time sheets, having to send out invoices to clients, or negotiating to collect the fees. Other than that, it was a seamless transition.

## You joined SIFMA in advance of the merger of the SIA and Bond Market Association (BMA). Was there any culture clash in that combination?

I've had two jobs over the course of my 34-year career, and in each position, I've experienced a merger. My first merger involved two large law firms; then I joined the SIA (now SIFMA) and two years later we merged with the BMA. I would not describe it as a culture clash, but in any combination, there are going to be redundancies, and some

people will be asked to move on, and there's always a period of tension and adjustment.

The SIA navigated through the BMA merger successfully, but then on the heels of that integration in 2007, the financial world began to feel the impact of the great recession. We had to manage the normal challenges when you combine two organizations, and then face a major industry crisis. Nearly overnight, we lost several key members – including Bear Stearns, Lehman Brothers and Washington Mutual – and went through a period of major cost-cutting that led to further reductions at the trade association. But our organization learned some valuable lessons, in terms of operating efficiently, as a result of those experiences.

## Do you feel the general public has an awareness of SIFMA and what it does?

If you're talking to people in our industry, for example an FA, or a senior executive, they know who SIFMA is and what we do. But if you ask folks at the local diner, they're unlikely to know of SIFMA, or FINRA, the CFTC or many other financial services industry organizations. At SIFMA, we let the advocacy for our members do our branding for us. If people in our industry, in the government, and in the press know who we are, and if we have a reputation for providing content-rich communications and analysis, and are responsive when people ask us for information, then that's fine with me. SIFMA doesn't have to be known in every household.

## Are you directly involved in government lobbying for the industry?

I'm involved in Capital Hill lobbying on an episodic basis, when my lobbying colleagues at SIFMA bring me into a meeting. Most of the lobbying that I regularly perform involves advocating our member's positions to regulators such as the SEC and FINRA. Those positions are established through our member firms, which is one of the things that make SIFMA unique. We're a bottoms-up, member-driven organization. This means that we always solicit opinions on emerging issues and government proposals from our brokerage and investment advisory firms. Then, armed with that intelligence and perspective, we promote the consensus of our members. Our process may be different from other trade organizations where the staff creates the positions.

## How do you establish a consensus industry viewpoint involving such complex issues?

Managing conflicting points of view is an important aspect of SIFMA's value proposition. We work hard to be consensus builders, but we are never going to please everyone, so we typically follow the traditional 80/20 rule. If we get at least 80% of our members to agree with a particular perspective or solution, then that is often sufficient to move forward. We won't promote an industry position with much less support than that.

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Most of the time, however, the positions we put together are closer to a unanimous point of view. We develop positions for the regulators to consider, that represent the collective viewpoint of member firms of all types and sizes, and that are of benefit not only to the industry, but also to the investing public. That unified voice is our source of strength.

Every SIFMA member is always free to advocate their own position in their own name, and to draft their own comment letters or meet with regulators, if they are not entirely pleased with the SIFMA position. But we will always strive to develop and present a consensus viewpoint.

## Will the decline in the number of publicly traded companies have any impact on the vitality of the capital market system?

The preservation and promotion of our nation's capital market structure is a top priority. We've built the world's most stable, liquid and sophisticated way for people to invest in companies, and for companies to benefit from that investment. When we see a reduction in the number of companies that go public, it's important to analyze why that's happening. For example, is regulatory friction a disincentive for companies? Should we work to reduce that burden? Conversely, we've seen significant growth in the private markets, where companies delay going public, or avoid that step altogether, because they can attract

capital through institutional sources, which may preclude retail investors from participation. This is an important issue that continues to evolve, and we're monitoring it closely.

## What's your personal opinion on Reg B-I / DOL Fiduciary Rule issue?

I personally believe we finally have the appropriate regulator – the Securities and Exchange Commission – to monitor what the standard of care should be for Financial Advisors when they're making recommendations for retail investors. My current concern is that we have several activist states that think they know better than the nation's preeminent securities regulator and are starting to come up with their own requirements, definitions and expectations for fiduciaries that operate within their state.

It's both irrational and impractical to have, in addition to a Federal standard, 50 different state versions of what it means to be a fiduciary, or to serve clients' best interests. So SIFMA is very focused on what the states are doing, and we continue to advocate for the states to stand down, and to wait and see how Reg B-I gets implemented. The rule implementation date is June 30, 2020. So, we all should take a deep breath to see how this new, robust SEC regulation is implemented. Then, if there are still gaps that the individual states think should be addressed, we can follow a disciplined process to work out solutions that apply nation-wide.

## Do you see any potential long-term risks or benefits for investors in the industry's flight to RIA firms?

It's important to understand that many SIFMA members are dually registered and regulated as a Broker Dealer and a Registered Investment Advisor, with employees who do business with clients both as a broker or an advisor. SIFMA's position on this is straightforward: we want to preserve client choice.

That's one reason why we believe that the SEC is the appropriate regulator. It is also a core issue in Chairman Clayton's focus on Reg B-I to preserve the transaction-based model, which is an economical way for a buy-and-hold investor to get professional advice, and to pay a commission to purchase or sell securities. Compare that with the RIA model, where investors pay an asset management fee every year, whether they buy, sell or hold securities. The RIA model works for many people, but for individuals who are struggling to save for retirement, transaction-based advice might make more sense.

Another aspect of this issue involves the regulatory arbitrage that currently exists. "RIA only" firms are regulated by the SEC if they have more than \$100 million in client assets, but they don't have FINRA as a regulator. So those firms not only are spared FINRA's scrutiny, there's little chance that they will be visited by the SEC, since by its own statistics, that agency will come around only once every 11 years. This very light touch, in terms of regulatory oversight, is an issue that will need to be addressed in the near future.

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## Do you feel that firms are doing enough to protect themselves against cybersecurity risks?

Cybersecurity is an extremely important topic for our members, because for many companies the question is not if your firm will be hacked, but rather when a breach will occur. It's a constant battle to stay one step ahead of cyber criminals. Maintaining security of information is the top priority throughout our industry.

To their credit, our firms spend significant amounts of time, money and resources to protect their systems. Every year at SIFMA, we bring together all of the interested parties from government, the industry and advisory groups to run cybersecurity readiness exercises that we call "Quantum Dawn." For the past 5 years, we've run through different fact pattern scenarios that simulate, in a war game fashion, new potential threats, and demonstrate ways to avoid, identify and manage those situations.

In addition to serving as a cybersecurity resource for our members, we consistently remind industry regulators of their responsibility to safeguard client information and data that financial firms supply to them. As we've witnessed through hacks into the GAO and even the Pentagon, the government can also be a victim of cybercrime.

## SIFMA promotes protection of senior investors. How well is the industry addressing this issue?

We've made great strides in recent years to identify the key issues and to work with adult protective services, which is managed on the state level, and to work with FINRA to develop what's called a "trusted contact information form." This is used when information regarding a customer, not just seniors, needs to be shared with a family member or trusted friend for various reasons.

This a very delicate and difficult issue, because it's so hard for an FA – even if they have known their client for many years – to detect a cognitive decline, or whether there is elder abuse going on. As smart, educated and well-intentioned as an FA may be, they are not medical doctors, neurologists or experts in gerontology, and they can't be expected to diagnose those kinds of problems. And unfortunately, studies of elder abuse show that the guilty parties are often family members or caregivers.

Elder abuse will become even more of an issue because people are living longer, so we certainly embrace the need to do more for senior investors and to become more educated on the warning signs. But there also needs to be an acknowledgement that FAs cannot be expected to detect every form of abuse at all times.

## What's the most significant opportunity for the financial services industry?

The industry has a unique opportunity to work with the current and next generation of young adults to educate and engage them in saving and investing for their financial futures. In the past, an individual may have held only a few jobs over the course of their entire career and relied heavily on their employer's defined benefit plan for financial security. But long-term employment at the same company is largely a thing of the past, as the younger generation often changes jobs frequently, and very few companies now offer meaningful defined benefits that employees can count on for long-term retirement planning. It's now incumbent upon individuals to plan, save and invest for their own futures.

The fundamental change in employment dynamics, the need for personal responsibility in achieving financial well-being, and the ongoing wealth transfer of the Boomer generation are all positive trends for the industry. However, these opportunities are somewhat offset by the experience of the many people who were hurt during the financial crisis and were left with a negative impression of "Wall Street." Leveraging opportunities to help people must start by regaining their trust and confidence; which involves education, communication and a very high degree of customer service.

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## What is the National Ability Center, and why are you involved with that organization?

The National Ability Center is located in Park City, Utah, and focuses on recreational activities for people of all abilities. The organization invests a lot of time with injured military veterans, and with people who have other physical challenges such as Cerebral Palsy, which I've had some personal exposure to through my niece, "Steph the Hammer" who is almost 30 years old and a dynamo when it comes to

breaking down perceived boundaries or physical limitations. I've been sensitive to these issues for many years, and when we purchased our home in Utah, the National Ability Center was literally in our back yard, so I have been involved with them as a volunteer.

## Can you share any insights into your personal life?

My wife, Karen, and I met when we were teenage students at Emory and have been married for 36 years. We have three sons, Sam, Adam and

Jason, ages 28, 26 and 21, respectively. Karen continues to be a source of inspiration for me. Over the past several years, she's been a suicide prevention counselor for LGBTQ+ youth, and has been doing wonderful work with the Trevor Project, which is a nationwide hotline for LGBTQ+ youth ages 14 to 24. I'm really proud of what she's doing, and I try to pitch in and help whenever I can.

## Ira Hammerman Biography

Mr. Hammerman is Executive Vice President, General Counsel and Secretary of SIFMA. Since 2004, Mr. Hammerman has overseen SIFMA's legal advocacy efforts and outside counsel relationships.

Mr. Hammerman oversees all legal and compliance related activity, including comment letters, litigation and regulatory relationships. He has been intimately involved with SIFMA's regulatory advocacy on a wide range of issues impacting the capital markets, including its advocacy on efficient and effective SRO Reform, and its pursuit of a best interest standard of care for broker-dealers while preserving the commission brokerage model of financial advice for retail clients.

Mr. Hammerman also serves on the Executive Committee of SIFMA's Compliance & Legal Society, the pre-eminent continuing education forum for compliance and legal professionals in the financial services industry.

Prior to joining SIFMA, Mr. Hammerman was a partner of Clifford Chance, where over a 19-year period he

represented the financial services industry on a wide variety of securities regulatory and enforcement matters before the SEC, FINRA and state regulatory authorities. His practice focused on U.S. securities regulation of U.S. and foreign financial institutions, including broker-dealers, investment advisers, banks and investment companies. A substantial part of his practice included representation of financial institutions with respect to trading, compliance and enforcement matters.

Mr. Hammerman is a dedicated volunteer and supporter at the National Ability Center, based in Park City, Utah, which empowers individuals of all abilities by building self-esteem, confidence and lifetime skills through sport, recreational and educational programs.

Mr. Hammerman received his law degree from Georgetown University Law Center in 1985 and received a B.A. from Emory University in 1982. He is a member of the District of Columbia and New York Bars.

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