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JOSEPHINE WANG

Reflects on Journey From Counselor to CEO

By Kathleen Troy

In April 2019, Josephine Wang took the helm as president and CEO of the Securities Investor Protection Corporation (SIPC), 36 years after joining the government-chartered private nonprofit as a staff attorney. Although SIPC is not a household name, it serves a critical mission in protecting investors under the Securities Investor Protection Act (SIPA). SIPC has overseen some of the largest, most successful recoveries for investors following securities broker-dealer failures, most notably the infamous Ponzi scheme of Bernard Madoff, who is serving a 150-year prison term. How did a junior attorney rise to the top of the organization and make the switch from counselor to head manager?

But first, it is interesting to note that going into law did not even cross Wang's mind when she was considering her career options. The New York-born Wang studied economics and political science at Hunter College and thought about getting a master's degree in international affairs.

"The thought of going to law school never entered my mind until a good friend applied during senior year, and I decided a law degree might be more practical and offer more opportunities. So, I really just wandered into law," Wang says.

Focusing on bankruptcy and securities law was not part of a carefully crafted career plan either. "I've never had a five-year career plan and didn't know what kind of law I wanted to practice after law school," says Wang, who earned her JD from Georgetown University Law Center.

"I'd describe my career as a series of opportunities I was able to build on," Wang continues. "My first job as a lawyer was with the Commodity Futures Trading Commission in Washington. After five years at the commission, it was a natural progression to move from the world of commodity futures to securities. When the SIPC opening for a staff attorney appeared, I applied. For a number of years, I wrote a lot of briefs, made the occasional court appearance at different levels of the federal court system, and

represented SIPC in liquidations nationwide, wherever they were initiated."

Wang joined SIPC in 1983 and was promoted to general counsel in 2004. Along the way Wang says she not only gained a lot of experience in bankruptcy and securities law, but also broadened her skills considerably through working with SIPC's many constituencies.

"On a regular basis, SIPC deals with the investing public, its member broker-dealers, and government agencies. We also make the occasional visit to Capitol Hill due to [the corporation's] federal charter and government oversight," she says. "The securities industry itself is fast-paced and innovative, and dealing with our many stakeholders adds to the complexity of the job. There's always a novel issue, and each new experience added to my career growth."

Here, Wang shares more about her career, her role at SIPC, and what she hopes to achieve during her tenure as president.

What does SIPC do and how does it protect investors?

SIPC has been serving the investing public since 1970, when Congress passed SIPA in the wake of severe disruptions, mismanagement, and failures in the securities industry brought on by a surge in investing and inadequate broker-dealer automation. Many investors lost



Courtesy of Josephine Wang

securities and cash in the resulting chaos of rescue mergers and bankruptcies. Today, SIPA requires most broker-dealers to be SIPC members and to pay assessments that are pooled into an SIPC-administered fund. If a securities broker-dealer fails, SIPC steps in to oversee the firm's liquidation. SIPC helps recover customers' securities and investment cash or compensates them from the SIPC fund, up to the statutory limit of \$500,000, including an investment cash limit of up to \$250,000 per customer. SIPC-designated trustees administer the liquidation proceedings under bankruptcy court and SIPC oversight.

SIPA doesn't, however, protect investors from all risks, including market losses, and it's important for investors to learn whether and how their

investments are covered. Investors also need to exercise ongoing diligence in evaluating the broker-dealers they invest with. Anyone who invests should understand market risk, as well as the limits of SIPA protection.

As SIPC general counsel, you oversaw some of the biggest broker-dealer liquidations in U.S. history, including the Madoff and Lehman Brothers cases, resulting in astounding recoveries for investors. How did these cases shape your career?

Looking back, I've been fortunate to work at SIPC when our ability to help investors was greater than ever. When the financial crisis struck in 2008, I had 25 years' experience working on many challenging cases that most people probably haven't heard of: Bevill, Bresler & Schulman, First Interregional, and Stratton Oakmont, the case that inspired the movie *The Wolf of Wall Street*. Each case was an opportunity for me to learn and grow. Also, as a young lawyer, I looked for other avenues to hone my craft. The D.C. Bar has a wonderful pro bono program, and I took on the occasional pro bono case, not only because it was the right thing to do — to give back as an attorney — but also because it gave me the experience of going into court and representing clients outside of SIPC.

I became general counsel in 2004, and when the Lehman and Madoff cases broke, they received a lot of media attention. Madoff, in particular, has generated much litigation and presented novel issues under SIPA. It's been a challenging case for many reasons, not the least of which is that innocent investors, although duped, benefitted from the fraud. Those investors may have thought they were earning investment profit, but, in fact, their "profit" was money taken by Madoff from other customers. In trying to recover fake profit not only from investors but also from bad actors, the Madoff trustee and his attorneys, with SIPC's support, have faced many new issues while litigating against some of the top legal talent in the country. To date, the trustee has recovered some \$14 billion out of about \$20 billion owed to customers — an extraordinary accomplishment in the bankruptcy world. And those recovery efforts continue today.

Working on these cases emphasized for me the value of hard work and the power of strong teams. Our successful case outcomes have been driven by several factors. Our legal teams focus on practice fundamentals — mastering the facts and law, developing persuasive

arguments, and abundant preparation. But our favorable results wouldn't be possible without the outstanding work and support of the entire SIPC team: the staff, the trustees, assisting law and accounting firms, and, perhaps most importantly, the SIPC board. I realize how fortunate I am to work with self-motivated people, both inside and outside of SIPC. While some luck is part of all careers, there are no shortcuts, either at SIPC or elsewhere. I've always set high standards for myself and for my teams, and the results have followed.

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How did your legal experience prepare you for your new role as president? Was there any concern that a lawyer would be too risk-averse as the top manager?

So far, it's felt like a natural transition, but being president/CEO is different from being GC. One advantage of my longevity is that I know SIPC's history, people, board, and standards of performance. That familiarity enabled me to hit the ground running. What's different in my new role is that I have an even deeper sense of responsibility for my decisions. As an attorney, I was a counselor; management made the final decisions. Now, it's my call. Of course, my decisions are informed through advice from others, but I answer to the board, and that's a different level of responsibility.

When the president/CEO opportunity arose, I thought long and hard about whether I wanted the top spot. I'd spent many fulfilling years at SIPC and never felt that my time here was due to complacency. But I realized the level of responsibility I would be taking on. After a lot of soul-searching, I realized I wanted the job not only because I knew I could do it, but also because I felt I still had much to contribute to SIPC.

My legal background has been very useful. Legal training, which emphasizes identifying and analyzing issues, and weighing alternatives and consequences, develops skills that deepen and become intuitive throughout our careers and lives. While lawyers may be perceived as risk-averse, I've become comfortable over time with making decisions that involve risk. Every decision presents risk, and I'm not impulsive by nature. After weighing key factors and consequences, I'm decisive and take responsibility for my decisions.

What initiatives would you like to focus on?

I'd like to make sure that SIPC is prepared to deliver on its mission into the future. We're working to modernize SIPC by adopting better tools to handle and analyze data. We're looking at how we integrate technology to create more value and support for our employees. We're also creating an online broker-dealer member portal, evaluating cloud storage, and innovating ways to make engagement with our members and the investing public faster and more secure. Like all organizations, we're dealing with managing our cyber-risks while striving to offer better service.

We're also looking at how the evolving world of virtual assets may impact SIPC's mission. For example, whether and under what circumstances digital currencies might be considered "securities" under SIPA could significantly impact our mission. We work closely with the Securities and Exchange Commission, the Financial Industry Regulatory Authority, and other organizations to stay on top of developments in this area.

How do you like to spend your downtime?

I have several long-term interests but I enjoy trying new things, too. While I strive for a level of balance in my life, it's never been easy and hasn't gotten easier over time. For relaxation, I turn to art, music, tennis, the occasional yoga class, and keeping up with family and friends. I've volunteered for many years at a local art museum and regularly go to music and dance performances. More recently, I've even started to take piano lessons. I'd wanted to learn to play piano for years, but I'm finding that mastering piano is much more challenging than practicing law! Music is one of the few areas where I have a five-year plan. After piano, I plan to tackle the cello. 

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