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*Toward A New Model for Securities Law Enforcement*

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Abstract by Claudia Yerena

In light of the SEC's recent concern over the "moral DNA" of corporate culture, the author argues that sanction-based reforms only set up incentives for firms to do nothing more than avoid more sanctions.

Instead, the author argues for a True Reform Undertaking, which addresses facial compliance, scapegoating, institutional capacity, and the limitations of deterrence in effecting a thorough reform to corporate governance. The author highlights (1) the need for the Reform Undertaking to be built around a *participatory* firm process, (2) the need for *Third Parties* to be accountable for their methodology and results within firms' Reform Undertaking, (3) the need for the SEC to develop the *information-gathering* capacity to credibly evaluate the Reform Undertaking's success, and (4) the need to provide consistent *incentives to Enforcement* personnel. The author also incorporates New Governance theory, a deliberation process composed of decentralized, broadly participatory stakeholder groups that can access local knowledge and context-specific understandings of a situation.

Finally, the author offers that forward-looking, reform-oriented regulatory structures function within traditional Enforcement structures. However, this requires (1) the firm's participation, (2) an independent and credible Third Party, (3) the SEC's ability to collect best-practices data, and (4) Enforcement's ability to synchronize staff incentives with mechanisms that further meaningful governance.