

MEMORANDUM

To: Members of the Committee on Financial Services

From: Republican Financial Services Staff

Date: June 16, 2023

Re: Subcommittee on Capital Markets Hearing entitled “Oversight of the SEC’s Division of Trading and Markets.”

On Thursday, June 22, 2023, at 10:30am (ET), the Subcommittee on Capital Markets will hold a hearing entitled “Oversight of the SEC’s Division of Trading and Markets.” Testifying at the hearing will be:

- Haoxiang Zhu, Director, Division of Trading and Markets, Securities and Exchange Commission
- Dr. Jessica Wachter, Chief Economist and Director, Division of Economic and Risk Analysis, Securities and Exchange Commission

Background

The Securities and Exchange Commission’s (SEC) mission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. This mission is carried out by the SEC’s various Divisions and Offices. To that end, the Division of Trading and Markets is responsible for establishing and maintaining standards for fair, orderly, and efficient markets. It regulates major securities market participants, including securities exchanges, broker-dealers, self-regulatory organizations (“SROs”) such as the Financial Industry Regulatory Authority (“FINRA”) and the Municipal Securities Rulemaking Board (“MSRB”), clearing agencies that facilitate trade settlement, transfer agents, and credit rating agencies. The Division also oversees the SEC’s financial integrity program for broker-dealers; reviews proposed new rules and proposed changes to existing rules filed by SROs; assists the SEC in rulemaking and providing interpretation on matters affecting the operation of the securities markets; and monitors the market.¹

The Division of Economic Risk and Analysis (“DERA”) was established in September 2009 to integrate financial economics and data analytics into the core mission of the SEC. DERA engages in all of the SEC’s functions, including rulemaking. It assists the Commission in identifying, analyzing, and responding to economic and market issues. DERA’s work in data analytics involves developing financial and market data analysis tools, supplying economic statistics, and promoting data standards. Additionally, DERA provides detailed, high quality economic and statistical analyses, and subject-matter expertise to the Commission. It manages

¹ See About Trading and Markets available at <https://www.sec.gov/about-trading-and-markets>.

and analyzes public and private data to support relevant initiatives and projects, including rulemakings.²

This hearing will examine the regulatory developments, rulemakings, and activities undertaken by the Division of Trading and Markets and DERA under the leadership of Chairman Gary Gensler.

Legislative Proposals

- **H.R. __**, to require the SEC to first implement the Market Data Infrastructure (MDI) Rules adopted in 2020 before finalizing three of the four market structure proposals from December 2022. The bill also mandates the SEC to conduct a study following the implementation of MDI to determine if additional market structure changes are needed.
- **H.R. __**, “**SEC Regulatory Accountability Act**”. The bill requires the SEC to identify and assess the problem addressed by proposed regulations, ensuring the benefits outweigh the costs. It also mandates the periodic review and modification of existing SEC regulations, and requires the SEC to report on the economic impact of major regulations.

² See About the Division of Economic and Risk Analysis available at <https://www.sec.gov/dera/about>.