

Testimony of the U.S. Securities and Exchange Commission on

**“Oversight of the Securities and Exchange Commission:
Wall Street’s Cop on the Beat”**

**Before the
U.S. House of Representatives Committee on Financial Services**

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Chairwoman Waters, Ranking Member McHenry and Members of the Committee, thank you for the opportunity to testify before you today about the work of the U.S. Securities and Exchange Commission (SEC or Commission or agency).¹

Overview—The SEC’s Mission, People and Governance

The SEC and its tripartite mission—to protect investors, maintain fair, orderly and efficient markets and facilitate capital formation—are critical to the functioning of our economy and the well-being of millions of Americans. With a workforce of almost 4,400 staff in Washington and across our 11 regional offices, the SEC oversees, among other things: (1) approximately \$96 trillion in securities trading annually on U.S. equity markets; (2) the disclosures of approximately 4,300 exchange-listed public companies with an approximate aggregate market capitalization of \$33 trillion; and (3) the activities of over 26,000 registered entities and registrants including, among others, investment advisers, broker-dealers, transfer agents, securities exchanges, clearing agencies, mutual funds and exchange-traded funds (ETFs), who employ over one million people in the United States. The agency also has oversight of self-regulatory organizations (SROs) such as the Financial Industry Regulatory Authority (FINRA), the Municipal Securities Rulemaking Board (MSRB) and the Public Company Accounting Oversight Board (PCAOB).

Across the SEC, we recognize the importance of our capital markets and our work to the global economy, the U.S. economy and millions of diverse American households. U.S. capital markets are the deepest, most dynamic and most liquid in the world. The Commission’s framework for regulation and oversight has helped achieve this by fostering a combination of investment opportunity, market confidence and investor protection, particularly in our public capital markets.

Main Street investors are the bedrock of our public capital markets. Their willingness to commit capital over the long term provides businesses with the opportunity to flourish and create jobs. Main Street investors also supply the capital markets with the funds that fuel the U.S. economy. In turn, our markets have provided retail investors with investment opportunities that help them secure their financial futures and provide for their families. At the SEC, we are motivated by the fact that tens of millions of Americans are invested in our capital markets and have to make personal investment decisions—both direct investment decisions, such as which

¹ The views expressed in this testimony are those of the U.S. Securities and Exchange Commission and do not necessarily represent the views of the President.

stocks, bonds, mutual funds, ETFs and other securities to purchase or sell, and indirect investment decisions, such as whether to hire a broker-dealer or investment adviser. Many Americans also participate in our markets through pension funds and related investment vehicles.

As Commissioners, we have the privilege of serving with the SEC's dedicated staff to pursue the Commission's mission. SEC staff is most often the Commission's direct connection to investors. None of the work described in this testimony—which is only a small sample of the overall work of the staff—is possible without these talented and solutions-oriented professionals whose work, in turn, is made possible thanks to the important, often behind-the-scenes work of the agency's administrative and operations personnel. The agency's supervisors and program managers also play a critical role in ensuring effective and efficient operations and activities.

Today represents the first time since 2007 that the entire Commission has testified before Congress. It was a different time then—on the eve of the financial crisis of 2008—and our markets and even the Commission itself are now significantly different from just 12 years ago. The changes in our markets and the broader U.S. and world economies present many new challenges for the Commission and its staff to tackle. Our testimony that follows will briefly describe the actions of the agency over the past year—in terms of regulatory policy, enforcement, examinations and investor education—to address some of these issues.

A purpose of having independent commissions is to provide a diversity of experiences and views among leadership of agencies such as the SEC. While we do not always agree on matters, we are united in our shared duty to advance the Commission's mission on behalf of our investors, issuers and markets. The Commission in its 2007 testimony noted that:

...the capital markets of the United States—and now, the world—depend upon clarity and consistency in our regulatory and enforcement programs. The agency's non-partisanship has underscored that it is the rule of law, not one's political point of view, which should determine our actions. It is in this spirit that we intend to continue to tackle the significant challenges that lie ahead.²

We believe this statement captures our shared obligations well, and this Commission remains committed to maintaining a well-functioning SEC for the benefit of our economy, investors and market participants.

Strategic Plan

Last fall, the Commission released its Strategic Plan for 2018-2022. The Plan provides a forward-looking framework for making the SEC more effective, focusing on the most important goals and initiatives that will best position the SEC to fulfill its mission, with the primary focus of the Plan being on investors, innovation and improved performance.³ Over the past year, we have made meaningful progress toward satisfying these goals.

² Review of Investor Protection and Market Oversight with the Five Commissioners of the Securities and Exchange Commission: Hearing Before the Comm. on Financial Services, 110 Cong. 46 (2007).

³ See U.S. Sec. and Exch. Comm'n Strategic Plan: Fiscal Years 2018-2022 (Oct. 2018), *available at* https://www.sec.gov/files/SEC_Strategic_Plan_FY18-FY22_FINAL.pdf.

Our first goal is focusing on the interests of long-term Main Street investors. The past year has presented many opportunities for each of us, and SEC staff to interact directly with investors from across the country. Recently, we and SEC staff have engaged directly with a diverse group of investors through town halls, outreach tours, new digital tools and other methods. For example, in a first-of-its-kind event, on June 13, 2018, each Commissioner and SEC leadership met with more than 400 members of the public during an investor town hall at the Georgia State University College of Law in Atlanta, Georgia. This event, organized by the SEC's Office of the Investor Advocate and the Atlanta Regional Office, marked the first time in our history that the full Commission met with Main Street investors outside of Washington, D.C. The following day, the agency's Investor Advisory Committee hosted a meeting at the same location, providing another opportunity for the public to engage with the Commission. Additionally, in September 2018, four Commissioners hosted a roundtable in Baltimore, Maryland, organized by our Office of Minority and Women Inclusion and our Office of Investor Education and Advocacy (OIEA), where they heard directly from investors and spoke about the agency's efforts to enhance retail investor protection. Most recently, all five Commissioners participated in the Government-Business Forum in Omaha, Nebraska, that was organized by the SEC's new Office of the Advocate for Small Business Capital Formation.

Our second goal—to be innovative and responsive—reflects the changing nature of our markets. As technological advancements and commercial developments have changed how our securities markets operate, the SEC's ability to remain an effective regulator requires that we continually monitor the market environment and, as appropriate, adjust and modernize our expertise, rules, regulations and oversight tools and activities. This maxim drove the establishment of a Cyber Unit in the Division of Enforcement (Enforcement) in September 2017, a Fixed Income Market Structure Advisory Committee in November 2017, and more recently, our new Strategic Hub for Innovation and Financial Technology (FinHub) and our expected formation of an Asset Management Advisory Committee.

Our third goal—elevating the agency's performance through technology, data analytics and human capital—embodies our commitment to maintaining an effective and efficient operation. Maintaining a high level of staff engagement, performance and morale is critical to our ability to execute the SEC's mission.

One of the most important ways we can continually improve the SEC's operational effectiveness is by investing in our technology program, including analyzing data and promoting information sharing and collaboration across the agency. In addition, focusing on cybersecurity remains a top priority for the agency. We deeply appreciate the resources Congress provided us in fiscal years (FYs) 2018 and 2019 to help us address our technology challenges and have applied these resources to a number of key initiatives designed to strengthen our cybersecurity risk profile, including efforts to modernize legacy systems and infrastructure. We also will continue to work to better automate our business processes so we can conduct our work more efficiently in support of the SEC's mission.

The Commission's Fiscal Year 2019 Initiatives

The Commission has been active in pursuing its mission over the prior fiscal year (FY 2018) and to-date in FY 2019. The following testimony summarizes the Commission's FY 2019 initiatives to date, by focusing on: (1) enforcement and compliance; (2) monitoring and addressing market developments and risks; (3) the regulatory and policy agenda, as set by Chairman Clayton; and (4) investor education initiatives.

Enforcement and Compliance

Division of Enforcement

Enforcement conducts investigations into possible violations of the federal securities laws and litigates the Commission's civil enforcement proceedings in the federal courts and in administrative proceedings. The ongoing efforts made by Enforcement to deter misconduct and punish securities law violators are critical to safeguarding millions of investors and instilling confidence in the integrity of our markets. The nature and quality of the SEC's enforcement actions—particularly the quality of these actions—during the last year speak volumes about the hard work of the agency's talented and dedicated staff.

To that end, Enforcement investigated and recommended a diverse mix of cases targeting fraud and other wrongdoing. In FY 2018, the Commission brought 821 enforcement actions and obtained judgments and orders for \$3.945 billion in penalties and disgorgement, while returning \$794 million to harmed investors and awarding nearly \$50 million in payments to whistleblowers.⁴ These statistics demonstrate broadly the continued commitment of our Enforcement staff. However, these types of broad measures do not adequately measure the effectiveness and scope of Enforcement's work, which is better captured by the nature, quality and effects of the Commission's enforcement actions in furtherance of the agency's three-part mission.

The Commission's enforcement actions over the past two years have covered a broad range of subject areas, including investment management, securities offerings, issuer reporting and accounting, market manipulation, insider trading, broker-dealer activities, cyber-related conduct and the Foreign Corrupt Practices Act, among many others. We would like to highlight three Enforcement initiatives, in particular, for their impact on investor protection: (1) the Retail Strategy Task Force; (2) the Cyber Unit; and (3) the Share Class Selection Disclosure Initiative.

In September 2017, the SEC announced the formation of the Retail Strategy Task Force, comprised of experienced members of the Enforcement staff, to pursue two primary objectives: (1) developing data-driven, analytical strategies for identifying practices in the securities markets that harm retail investors and generating enforcement matters in these areas; and (2) collaborating with internal and external partners, such as OIEA and the Department of Justice, on retail investor advocacy and outreach. The Retail Strategy Task Force leverages enforcement resources and draws on expertise from across the Commission's divisions and

⁴ See U.S. Sec. and Exch. Comm'n Div. of Enf. Annual Report (Nov. 2, 2018), *available at* <https://www.sec.gov/files/enforcement-annual-report-2018.pdf>.

offices to develop and implement strategies for addressing the types of misconduct that most affect retail investors.

Since its formation, the Retail Strategy Task Force has undertaken a number of initiatives in furtherance of its role. For example, in June 2019, the Commission announced two new initiatives to build on its ongoing efforts to protect retail investors.⁵ The Teachers' Initiative and the Military Service Members' Initiative focus additional enforcement and investor education resources on instructing teachers, veterans and active duty military personnel on savings and investment, investment fees and expenses, retirement programs specific to educators and service members and the red flags of investment fraud. The Commission recognizes that teachers, active duty military and veterans provide a tremendous service to our country, often at great personal and financial sacrifice to themselves and their families, yet are often targeted and fall victim to securities fraud and other misconduct. These initiatives build upon the Commission's dedication to fighting fraud, educating retail investors and protecting vulnerable market participants. The Teachers' Initiative is building upon the existing Teacher Investment Outreach program, which is led by the SEC's San Francisco Regional Office. The Military Service Members' Initiative is building upon the Commission's longstanding commitment to serving active military and veterans through investor advocacy and outreach. Further, on October 3, 2019, the Retail Strategy Task Force will host a roundtable on combating elder investor fraud.⁶ This roundtable will focus on the types of fraudulent and manipulative schemes currently targeting elder investors and explore views from a broad range of regulators and industry experts on potential steps regulators, broker-dealers, investment advisers and others can take to identify and combat elder investor fraud.

In September 2017, the SEC announced the creation of a specialized Cyber Unit within Enforcement to combat cyber-related threats to investors and our financial markets by focusing Enforcement's resources and expertise on, among others things, potential violations involving distributed ledger technology, cyber intrusions and hacking to obtain material, non-public information. The resources we have dedicated to the Cyber Unit's important work demonstrate the high priority the Commission places on cyber-related issues affecting investors and our markets. Cyber Unit staff members work closely with FinHub on cases involving distributed ledger technology and digital assets. The Commission has brought a number of cases in this area⁷ and will continue to police these markets vigorously and take enforcement action against those who conduct fraudulent or unregistered initial coin offerings (ICOs) or engage in other actions relating to digital assets in violation of the federal securities laws. Enforcement, with leadership from the Cyber Unit, has continued to focus on cybersecurity threats to public companies and the resulting harm to investors from cyber incidents such as data breaches.

The Commission remains focused on our efforts to return funds to harmed investors as promptly as practicable. For example, Enforcement expanded its efforts to identify advisers that

⁵ See Press Release 2019-85, SEC Announces Enforcement and Investor Education Initiatives to Protect Teachers and Military Service Members (June 3, 2019), available at <https://www.sec.gov/news/press-release/2019-85>.

⁶ See Press Release 2019-134, SEC Retail Strategy Task Force to Host Roundtable on Combating Elder Investor Fraud (July 18, 2019), available at <https://www.sec.gov/news/press-release/2019-134>.

⁷ See U.S. Sec. & Exch. Comm'n, Cyber Enforcement Actions, available at <https://www.sec.gov/spotlight/cybersecurity-enforcement-actions>.

did not adequately disclose conflicts as a result of their receipt of compensation in the form of 12b-1 fees through the Share Class Selection Disclosure Initiative. This approach—which centered on self-reporting and cooperation—will result in the return of over \$125 million to retail investors, and the resulting savings to retail investors from moving to the lower cost share classes will continue for years to come, which we expect will vastly exceed the initial \$125 million in savings.

The efforts of the Enforcement staff over the past year have made our capital markets a safer place for investors to put their hard-earned money to work, and Enforcement staff will continue their efforts to vigorously enforce the federal securities laws and seek to hold bad actors accountable, whether on Main Street or Wall Street.

Office of Compliance Inspections and Examinations

The SEC's Office of Compliance Inspections and Examinations (OCIE) is responsible for conducting examinations of entities registered with the SEC, including more than 13,400 investment advisers, approximately 10,000 mutual funds and ETFs, roughly 3,750 broker-dealers, about 340 transfer agents, seven active clearing agencies, 23 national securities exchanges, nearly 550 municipal advisors, FINRA, the MSRB, the Securities Investor Protection Corporation and the PCAOB, among others. The results of OCIE's examinations are used by the SEC to identify and monitor risks, improve industry practices, pursue misconduct and inform rulemaking initiatives.

OCIE's 2019 Examination Priorities reflect a continued focus on the SEC's commitment to protecting retail investors—including seniors and those saving for retirement.⁸ In particular, OCIE has looked closely at products and services offered to retail investors, the disclosures they receive about those investments and the financial services professionals who serve them, as well as several other areas that present heightened risk, including compliance and risks in critical market infrastructure, cybersecurity and anti-money laundering programs. OCIE also publishes a number of risk alerts to inform registered firms and investors of common compliance issues to aid in the identification and correction of potentially deficient practices to better protect the interests of Main Street investors.⁹

During FY 2018, OCIE conducted over 3,150 examinations, an overall increase of 11 percent from FY 2017. This includes a 17 percent coverage ratio for investment advisers—which increased 13 percent from FY 2017, even as the number of registered investment advisers increased by approximately 5 percent.¹⁰ Staff will continue to leverage data analysis to identify potentially problematic activities and firms as well as to determine how best to scope the examinations of those activities and firms.

⁸ U.S. Sec. & Exch. Comm'n, Off. of Compliance Inspections and Examinations, 2019 Nat'l Exam Program Examination Priorities (Dec. 20, 2018), *available at* <https://www.sec.gov/files/OCIE%202019%20Priorities.pdf>.

⁹ U.S. Sec. & Exch. Comm'n, Off. of Compliance Inspections and Examinations, Risk Alerts, *available at* <https://www.sec.gov/ocie>.

¹⁰ Due to the government shutdown in 2019, we expect to see an impact, and likely a decline, in certain FY19 metrics as compared to prior years. As such, and as noted earlier with regard to Enforcement, we believe a purely quantitative approach to evaluating performance is insufficient.

Monitoring and Addressing Market Developments and Risks

As our markets continue to evolve, new issues and risks often arise. Many of these issues span the responsibilities and expertise of our divisions and offices. For example, the Commission and SEC staff have been closely monitoring Brexit and its potential impacts on U.S. markets and investors, and more broadly, on global financial markets. The SEC's responsibility is primarily related to the impact of Brexit on U.S. capital markets, and the Divisions of Corporation Finance, Investment Management and Trading and Markets have been focusing on the disclosures companies and advisers make related to Brexit and the functioning of our market utilities and other infrastructure, respectively. We will continue to monitor and plan for potential Brexit-related impacts on U.S. investors and markets.

The SEC also has been focused on the transition away from LIBOR as a benchmark for short-term interest rates and the financial market risks that the transition may present. As LIBOR is used extensively in the U.S. and globally as a benchmark rate to set interest rates for various commercial and financial contracts, the discontinuation of LIBOR could have a significant impact on financial markets and may present a material risk for market participants, including public companies, exchanges, clearing agencies, investment advisers, investment companies and broker-dealers.¹¹ In July 2019, staff from multiple SEC divisions and offices published a statement encouraging market participants to proactively manage their transition away from LIBOR and outlined several potential areas that may warrant increased attention during that time.¹² Staff has provided guidance for how registrants might respond to risks associated with the discontinuation of LIBOR and will be actively monitoring which market participants are identifying and addressing risks associated with the expected discontinuation of LIBOR.

These are just a few of the risks to the domestic and international financial markets where the SEC has focused its attention. In recognition of the SEC's critical role in this area, earlier this year, Chairman Clayton created a new position, the Senior Policy Advisor for Market and Activities-Based Risk, to manage and coordinate a cross-disciplinary SEC staff committee that is responsible for identifying, monitoring and responding to market risks, including activities-based risks. Additionally, the SEC plays an active role and contributes to and benefits from participation in various domestic and international organizations that focus on market and systemic risks, including the Financial and Banking Information Infrastructure Committee (FBIIC), Financial Stability Board (FSB)¹³ and the International Organization of Securities

¹¹ See SEC Rulemaking Over the Past Year, the Road Ahead and Challenges Posed by Brexit, LIBOR Transition and Cybersecurity Risks (Dec. 6, 2018), available at <https://www.sec.gov/news/speech/speech-clayton-120618>.

¹² See Press Release 2019-129, SEC Staff Publishes Statement Highlighting Risks for Market Participants to Consider As They Transition Away from LIBOR (July 12, 2019), available at <https://www.sec.gov/news/press-release/2019-129>. Note that staff guidance represents the views of the staff. It is not a rule, regulation or statement of the Commission. Furthermore, the Commission has neither approved nor disapproved its content. Staff guidance, like all staff statements, has no legal force or effect: it does not alter or amend applicable law, and it creates no new or additional obligations for any person.

¹³ With respect to the FSB, Chairman Clayton, Commissioners and SEC staff substantially contribute to the FSB's ongoing monitoring and assessment of vulnerabilities affecting the global financial system, in particular with regard to securities market developments and their implications for regulatory policy. Commissioner Peirce also serves as the SEC's representative on the FSB's Standing Committee on Assessment of Vulnerabilities (SCAV), which focuses on vulnerabilities and risks arising from structural weaknesses in the financial system.

Commissions (IOSCO). The Chairman is a member of the Financial Stability Oversight Council (FSOC). In addition to engagement with these and other organizations, we also directly coordinate and share information and observations on almost a daily basis with our domestic regulatory counterparts at the Treasury Department, the Commodity Futures Trading Commission (CFTC) and the Federal Reserve, among others.

In conjunction with our fellow regulators at these and other organizations, we are also monitoring issues in other areas such as: (1) leveraged lending (including funds and products that invest in leveraged loans); (2) central clearing (including issues related to capital, redundancy and resilience); (3) governmental actions (including monetary and trade policy); (4) cybersecurity and data integrity (including identifying and assessing mission-critical systems); and (5) financial stability matters, more generally.

One notable, new area of focus where interdivisional work is essential is in the digital asset and ICO space. We have strived to achieve a regulatory approach that both fosters innovation and protects investors. SEC staff also meets regularly with staff from other regulatory agencies—domestic and international—to coordinate efforts and identify any areas where additional regulatory oversight may be needed. In an effort to further coordinate the Commission’s work on these important issues, in October 2018, the SEC announced the formation of FinHub within the agency.¹⁴ Staffed by representatives from across the Commission, FinHub is intended to serve as a public resource for FinTech-related issues at the SEC, including matters dealing with distributed ledger technology (DLT), automated investment advice, digital marketplace financing and artificial intelligence/machine learning. In May 2019, FinHub hosted a public FinTech forum focusing on DLT and digital assets and explored topics such as ICOs, digital asset platforms, DLT innovations and how these technologies impact investors and the markets.

In addition to serving as a portal for public engagement, FinHub also serves as an internal resource within the SEC, coordinating the staff’s work on FinTech-related issues. As the work of FinHub and our other activities demonstrate, the agency is focused on issues presented by new technologies, and our door remains open to those who seek to innovate and raise capital in accordance with the federal securities laws and consistent with important investor protections.¹⁵

Cybersecurity and Information Technology at the Commission

Focusing on cybersecurity risk remains a top priority for the SEC. The SEC and other agencies are frequent targets of attempts by threat actors who seek to penetrate our systems, and some of those actors may be backed by substantial resources. We recognize that electronic data systems are essential to our mission and that no system can ever be entirely safe from a cyber intrusion, but it is incumbent upon us to continue to devote substantial resources and attention to cybersecurity, including the protection of personally identifiable information (PII). It is clear that the Commission’s efforts in the areas of cybersecurity, systems resilience and risk

¹⁴ See Press Release 2018-240, SEC Launches New Strategic Hub for Innovation and Financial Technology (Oct. 18, 2018), available at <https://www.sec.gov/news/press-release/2018-240>.

¹⁵ For example, FinHub recently released a framework for investment contract analysis for digital assets. Additionally, along with FINRA, the Division of Trading and Markets in coordination with FinHub also recently released guidance relating to custody of digital assets.

management were in need of improvement. Over the past year, the Commission has been focused on a number of areas for improvement, including information technology (IT) governance and oversight, security controls, risk awareness related to sensitive data, incident response and reliance on legacy systems. While progress has been made, much work remains to be done. We continue to value the insights and assistance from our audit partners at the Office of Inspector General and the Government Accountability Office and have been working diligently to implement their recommendations.

A key principle in our review of the SEC's cybersecurity and enterprise risk profiles is to evaluate the data we take in, assess our regulatory and enforcement responsibilities and limit the scope of that information to what is necessary to achieve those responsibilities. In particular, we are closely scrutinizing how we can reduce any potential exposure of PII contained in SEC systems, including EDGAR. For example, last year the Commission acted to eliminate the collection of social security numbers and dates of birth on a number of EDGAR forms where we concluded that the information was not necessary to our mission. Additionally, the Commission implemented modified submission deadlines for filing non-public reports for registered investment companies that will allow the agency to receive and analyze the data while meaningfully reducing the sensitivity of that data at the time it is transmitted.

We will continue efforts to assess our data footprint, with the help of a soon-to-be-hired Chief Data Officer. Required of all federal agencies by statute, this new position, among other duties, will help us improve our review process over data collection to provide greater assurance that we collect only the data we need to fulfill our mission and can effectively manage and secure.

The agency also has focused closely on its cybersecurity risk governance structure. This year, the SEC hired a Chief Risk Officer to help coordinate our enterprise risk management efforts across the agency. We have worked to promote a culture that emphasizes the importance of data security and operational resilience throughout our divisions and offices. The staff also has been engaging with outside experts to assess and improve our security controls. For example, on a technical level, these efforts include the deployment of enhanced security capabilities, additional penetration testing and code reviews, investment in new technologies and transition of legacy systems to modern platforms. We also will continue to coordinate and partner with other federal agencies to identify and mitigate risks to our IT environment and assets.

Other priority IT initiatives on which the SEC is focused include: (1) continuing the modernization and development of a more secure EDGAR filing system; (2) deploying enhancements to critical analytic systems and upgrading the agency's electronic discovery and document management tools; (3) digitizing business processes so SEC staff can be more efficient and focus more of their time on higher-order analyses in pursuit of our mission; and (4) retiring legacy SEC systems and applications in favor of modernized, more secure replacements with lower costs.

A key element in advancing this ambitious agenda to improve and secure our technology environment is to attract and retain robust technology and cyber talent, especially given the often

fierce competition to recruit these individuals. We have grown our IT workforce by 15 percent and our IT security staff positions by over 75 percent since 2017, and we will continue to focus on recruiting talented individuals to maintain a strong IT workforce at the SEC.

Regulatory and Policy Agenda

Division of Corporation Finance

The Division of Corporation Finance (Corporation Finance) seeks to ensure that investors are provided with the material information they need to make informed investment decisions, both when a company initially offers its securities to the public and on an ongoing basis as it continues to provide information to the marketplace. Since 2017, Corporation Finance has undertaken a number of initiatives to further these regulatory goals.

The Commission has also taken several steps aimed at helping companies—including smaller companies—participate in our capital markets. Many of these actions build upon the initiatives embodied in the Jumpstart our Business Startups (JOBS) Act.¹⁶ For example, in May 2019, the Commission proposed amendments to the “accelerated filer” and “large accelerated filer” definitions.¹⁷ Under the proposed amendments, smaller reporting companies with less than \$100 million in revenues would not be required to obtain an attestation of their internal control over financial reporting from an independent outside auditor. For many smaller companies that received a similar five-year exemption under the JOBS Act, this proposal would extend that exemption until the company exceeded \$100 million in revenues. SEC staff is reviewing public comments received on the proposal. Further, in February 2019, the Commission proposed amendments to expand the “test-the-waters” accommodation to all issuers, allowing them to gauge market interest in a possible IPO or other proposed registered securities offering by permitting discussions with certain investors prior to the filing of a registration statement.¹⁸ Additionally, in December 2018, the Commission adopted final rules providing flexibility to reporting companies when raising capital to allow them to rely on the Regulation A exemption from registration, as required by the Economic Growth, Regulatory Relief, and Consumer Protection Act.¹⁹

We are also considering how to improve our private markets for investors and issuers. Our private markets have become increasingly important, and unlike twenty-five years ago, today outpace the public markets in many measures, including in size. Unless one is an

¹⁶ Pub. L. No. 112-106 (2012).

¹⁷ See Press Release 2019-68, SEC Proposes Amendments to More Appropriately Tailor the Accelerated and Large Accelerated Filer Definitions (May 9, 2019), *available at* <https://www.sec.gov/news/press-release/2019-68>. This proposal followed the Commission adopting amendments to expand the definition of “smaller reporting company” to increase the number of companies that qualify for scaled disclosure accommodations in June 2018. See Press Release 2018-116, SEC Expands the Scope of Smaller Public Companies that Qualify for Scaled Disclosures (June 28, 2018), *available at* <https://www.sec.gov/news/press-release/2018-116>.

¹⁸ See Press Release 2019-14, SEC Proposes to Expand “Test-the-Waters” Modernization Reform to All Issuers (Feb. 19, 2019), *available at* <https://www.sec.gov/news/press-release/2019-14>.

¹⁹ See Press Release 2018-297, SEC Adopts Final Rules to Allow Exchange Act Reporting Companies to Use Regulation A (Dec. 19, 2018), *available at* <https://www.sec.gov/news/press-release/2018-297>.

accredited investor, the options in the private markets are limited. In June 2019, the Commission issued a concept release that seeks comment on possible ways to simplify, harmonize and improve the exempt offering framework to expand investment opportunities while enhancing appropriate investor protections and promoting capital formation.²⁰ The concept release seeks input on whether changes should be made to improve the consistency, accessibility and effectiveness of the Commission's exemptions for both companies and investors, including identifying potential overlap or gaps within the framework and identifying additional investor protections. SEC staff is reviewing comments received on the release, and we look forward to their recommendations.

The Commission also has taken a number of actions to update disclosure requirements in an effort to enhance the quality of information available to investors and reduce costs for registrants.²¹ For example, in March 2019, the Commission adopted amendments to modernize and simplify disclosure requirements for public companies, investment advisers and investment companies, consistent with its congressional mandate under the Fixing America's Surface Transportation (FAST) Act.²² The amendments, among other things, increase flexibility in the discussion of historical periods in Management's Discussion and Analysis (MD&A) and allow companies to redact confidential information from most exhibits without filing a confidential treatment request. More recently, the Commission proposed rule amendments to modernize the description of business, legal proceedings and risk factor disclosures under Regulation S-K.²³ We expect efforts to modernize, improve and simplify disclosure requirements to continue in the coming year.

To help promote more robust disclosure by companies about cybersecurity risks and incidents, in February 2018, the Commission approved a statement and interpretive guidance that discusses public companies' disclosure obligations under existing law with respect to matters involving cybersecurity risk and incidents. The Commission also addressed the importance of cybersecurity policies and procedures that enable public companies to make accurate and timely disclosures about material cybersecurity events, as well as policies that protect against corporate insiders trading in advance of company disclosures of material cyber incidents.²⁴

Additionally, in December 2018, the Commission adopted rules pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) to require companies

²⁰ See Press Release 2019-97, SEC Seeks Public Comment on Ways to Harmonize Private Securities Offering Exemptions (June 18, 2019), available at <https://www.sec.gov/news/press-release/2019-97>.

²¹ See, e.g., Press Release 2019-65, SEC Proposes to Improve Disclosures Relating to Acquisitions and Dispositions of Businesses (May 3, 2019), available at <https://www.sec.gov/news/press-release/2019-123>.
<https://www.sec.gov/news/press-release/2019-65>; Press Release 2018-156, SEC Adopts Amendments to Simplify and Update Disclosure Requirements (Aug. 17, 2018), available at <https://www.sec.gov/news/press-release/2018-156>.

²² See Press Release 2019-38, SEC Adopts Rules to Implement FAST Act Mandate to Modernize and Simplify Disclosure (Mar. 20, 2019), available at <https://www.sec.gov/news/press-release/2019-38>.

²³ See Press Release 2019-148, SEC Proposed to Modernize Disclosures of Business, Legal Proceedings, and Risk Factors Under Regulation S-K (Aug. 8, 2019), available at <https://www.sec.gov/news/press-release/2019-148>.

²⁴ See Press Release 2018-22, SEC Adopts Statement and Interpretive Guidance on Public Company Cybersecurity Disclosures (Feb. 21, 2018), available at <https://www.sec.gov/news/press-release/2018-22>.

to disclose in proxy or information statements for the election of directors any practices or policies regarding the ability of employees or directors to engage in certain hedging transactions with respect to company equity securities.²⁵ We expect the staff to provide recommendations for Commission consideration on other mandated compensation rules, including an interagency rulemaking on incentive compensation required by Section 956 of the Dodd-Frank Act.

Another issue under consideration is how to foster a longer-term performance perspective in American companies for the benefit of Main Street investors who are increasingly responsible for funding their own retirement and other financial needs. In December 2018, the Commission published a request for comment soliciting input on the nature, content and timing of earnings releases and quarterly reports made by reporting companies and specifically asked for comments on whether, and if so, how our reporting system may be contributing to a disproportionate focus on short-term results.²⁶ In July 2019, SEC staff held a roundtable to hear the diverse viewpoints of investors, issuers and other market participants on these issues.²⁷ The comment file remains open, and we look forward to continued public engagement on these issues.

Division of Investment Management

The Division of Investment Management (Investment Management) has primary responsibility for administering the Investment Company Act of 1940 and Investment Advisers Act of 1940. This involves developing regulatory policy for investment advisers and for investment companies, including mutual funds, money market funds, closed-end funds, business development companies (BDCs), unit investment trusts, variable insurance products and ETFs.

Investment Management is leading a long-term project to explore modernization of the design, delivery and content of fund disclosures and other information for the benefit of investors. These initiatives are an important part of how the Commission can serve investors in the 21st century. Fund disclosures are especially important because millions of Americans invest in funds to help them achieve personal financial goals, such as saving for retirement and their children's educations. As of the end of 2018, over 100 million individuals representing nearly 57 million households, or 45 percent of U.S. households, owned funds (generally ETFs or open-ended mutual funds).²⁸

In June 2018, the Commission issued a request for comment on enhancing disclosures by mutual funds, ETFs and other types of investment companies to improve the investor experience and to help investors make more informed investment decisions (Fund Disclosure RFC).²⁹ The

²⁵ See Press Release 2018-291, SEC Adopts Final Rules for Disclosure of Hedging Policies (Dec. 18, 2018), available at <https://www.sec.gov/news/press-release/2018-291>.

²⁶ See Press Release 2018-287, SEC Solicits Public Comment on Earnings Releases and Quarterly Reports (Dec. 18, 2018), available at <https://www.sec.gov/news/press-release/2018-287>.

²⁷ See July 18, 2019 Roundtable on Short-Term / Long-Term Management of Public Companies, Our Periodic Reporting System and Regulatory Requirements, available at <https://www.sec.gov/spotlight/short-and-long-term-management-public-companies-roundtable>.

²⁸ Investment Company Institute, 2019 Investment Company Fact Book: A Review of Trends and Activities in the Investment Company Industry, 2, 59th ed. 2019.

²⁹ See Press Release 2018-103, SEC Modernizes the Delivery of Fund Reports and Seeks Public Feedback on Improving Fund Disclosure (June 5, 2018), available at <https://www.sec.gov/news/press-release/2018-103>.

Fund Disclosure RFC seeks input from retail investors and others on how they use fund disclosures and how they believe funds can improve disclosures to aid investment decision-making. In order to facilitate retail investor engagement and comment on improving fund disclosure, the Commission has provided a short Feedback Flier on Improving Fund Disclosure, which can be viewed and submitted at www.sec.gov/tell-us. The Commission also adopted a new rule that creates an optional “notice and access” method for delivering fund shareholder reports.³⁰ The reforms include protections for those without internet access or who simply prefer paper by preserving the ability to continue to receive reports in paper.

In 2018, the Commission proposed a new rule and form amendments intended to modernize the regulatory framework for ETFs, by establishing a clear and consistent framework for the vast majority of ETFs operating today.³¹ Since 1992, the Commission has issued more than 300 exemptive orders allowing ETFs to operate under the Investment Company Act. Under the rulemaking proposal, ETFs that satisfy certain conditions would be able to operate within the scope of the Investment Company Act and come to market without applying for individual exemptive orders.

In response to congressional directives, in November 2018, the Commission adopted rules and amendments designed to promote research on mutual funds, ETFs, registered closed-end funds, BDCs and similar covered investment funds.³² These changes are intended to reduce obstacles to providing research on investment funds by harmonizing the treatment of such research with research on other public companies. Additionally, consistent with congressional mandates under the Small Business Credit Availability Act and the Economic Growth, Regulatory Relief, and Consumer Protection Act, the Commission proposed rule and form amendments to modernize the offerings of BDCs and registered closed-end funds.³³ Specifically, the proposed amendments would modify the registration, communications and offering processes available to BDCs and registered closed-end funds, building on offering practices that operating companies currently use. Staff is reviewing the public comments received as it considers recommendations for final rules.

In addition, the Commission is working to form an Asset Management Advisory Committee. Over the last two decades, major trends in retirement funding, investment philosophies, technology and capital formation have driven changes that include increased assets, new products, new strategies and new challenges in the environment for investors and investment managers. For example, there are now over 13,000 SEC-registered investment advisers with over \$84 trillion in assets under management, and over 8,000 of these investment advisers provide services to retail investors. The emergence of index investing and ETFs has changed the way many investors build their portfolios and helped spark new rounds of competition over fees. Increased globalization has also intertwined domestic and foreign

³⁰ *Id.*

³¹ See Press Release 2018-118, SEC Proposes New Approval Process for Certain Exchange-Traded Funds (June, 28, 2018), available at <https://www.sec.gov/news/press-release/2018-118>.

³² See Press Release 2018-269, SEC Adopts FAIR Act Rules Promoting Research Reports on Investment Funds (Nov. 30, 2018), available at <https://www.sec.gov/news/press-release/2018-269>.

³³ See Press Release 2019-39, SEC Proposes Offering Reforms for Business Development Companies and Closed-End Investment Funds (March 20, 2019), available at <https://www.sec.gov/news/press-release/2019-39>; see also Pub. L. 115–141, 132 Stat. 348 (2018); Pub. L. 115–174, 132 Stat. 1296 (2018).

markets and policy. Financial regulators and the public could benefit from thoughtful discussion among experts with diverse viewpoints on these issues, and the Commission is well-positioned to host that discussion. An advisory committee could lend transparency, engagement and rigor to the public discourse on these issues.

Division of Trading and Markets

Another area of focus for the Commission is helping to ensure fair and efficient trading markets for our Main Street investors. The Division of Trading and Markets (Trading and Markets) regulates the major securities markets participants, including broker-dealers, SROs (such as stock exchanges, FINRA and clearing agencies) and transfer agents. This is an area where technology and other factors have driven substantial change, domestically and globally, and we need to adjust our regulation and oversight accordingly.

The Commission has taken significant steps to make our modern, electronic-driven trading markets more transparent. For instance, Trading and Markets has been focused on considering potential steps to improve Regulation NMS, which is the primary regulation governing equity market structure. It was designed to address equity market structure challenges that were prevalent over a decade ago, and until recently, it remained largely untouched since first adopted in 2005. Last year, the Commission adopted three rules affecting equity market structure, including: (1) new Rule 610T of Regulation NMS to conduct a Transaction Fee Pilot in NMS stocks;³⁴ (2) amendments to require broker-dealers to disclose to investors new and enhanced information about the way they handle investors' orders in NMS stocks;³⁵ and (3) amendments to Regulation ATS to enhance operational transparency and regulatory oversight of alternative trading systems that trade NMS stocks.³⁶

In 2018, Trading and Markets held numerous public roundtables at which the Commission and SEC staff engaged in an open forum with market participants and other interested constituencies on some of the most salient issues affecting our markets today. At the public roundtables, the Commission and SEC staff heard from investors and other market participants on their concerns about the current U.S. equity market structure. These roundtables covered topics such as market structure for thinly-traded securities for both equities and exchange-traded products;³⁷ regulatory approaches to combating retail investor fraud;³⁸ and market data and market access.³⁹ The quality of our markets for thinly-traded securities is an area where further review may be needed. Trading and Markets staff is exploring the issue of

³⁴ See Press Release 2018-298, SEC Adopts Transaction Fee Pilot for NMS Stocks (Dec. 19, 2018), available at <https://www.sec.gov/news/press-release/2018-298>.

³⁵ See Press Release 2018-253, SEC Adopts Rules That Increase Information Brokers Must Provide to Investors on Order Handling (Nov. 2, 2018), available at <https://www.sec.gov/news/press-release/2018-253>.

³⁶ See Press Release 2018-136, SEC Adopts Rules to Enhance Transparency and Oversight of Alternative Trading Systems (July 18, 2018), available at <https://www.sec.gov/news/press-release/2018-136>.

³⁷ See Press Release 2018-65, SEC Staff to Host Roundtable on Market Structure for Thinly-Traded Securities (April 13, 2018), available at <https://www.sec.gov/news/press-release/2018-65>.

³⁸ See Press Release 2018-200, SEC Staff to Host Roundtable on Regulatory Approaches to Combating Retail Investor Fraud (Sept. 18, 2018), available at <https://www.sec.gov/news/press-release/2018-200>.

³⁹ See Press Release 118-210, SEC Staff to Host Roundtable on Market Data and Market Access (Sept. 24, 2018), available at <https://www.investor.gov/additional-resources/news-alerts/press-releases/sec-staff-host-roundtable-market-data-market-access>.

primary listing exchanges potentially developing innovative market structure solutions that could address certain issues regarding thinly-traded securities.

In addition, the Commission is evaluating the effectiveness of Rule 15c2-11, which mandates what actions broker-dealers must take prior to publishing quotations for securities that do not trade on a national securities exchange. This Rule, which was introduced before it was commonplace to distribute reports and other materials electronically (including through webpages and e-mail), includes a number of exceptions that permit broker-dealers to publish quotations without conducting the review otherwise required by the Rule. In particular, the piggyback exception, which allows broker-dealers to publish quotations of securities that are regularly quoted, may result in retail investors having little or no relevant information about a company. This lack of current and publicly available information about a company may particularly disadvantage retail investors in making informed choices. To this end, the Commission is considering ways to make Rule 15c2-11 more effective at protecting retail investors from incidents of fraud and manipulation in over-the-counter (OTC) securities—particularly the securities of issuers without information that is current and publicly available—and to appropriately tailor the Rule to be more efficient and effective. Staff continues to develop recommendations to address some of the other issues identified at these roundtables.

Our fixed income markets are also critical to our economy and Main Street investors, though historically, they have garnered less attention relative to the equity markets. In November 2017, the SEC created the Fixed Income Market Structure Advisory Committee (FIMSAC) to provide diverse perspectives on the structure and operations of the U.S. fixed income markets, as well as advice and recommendations on fixed income market structure. To date, FIMSAC has held seven meetings and has provided the Commission with ten thoughtful recommendations on ways to improve our fixed income markets.⁴⁰

Additionally, the Commission has continued to make progress toward establishing the Dodd-Frank Act's Title VII regulatory regime. In particular, the Commission finalized Rule of Practice 194 to create a transparent, efficient and comprehensive process for application to the Commission for relief from the statutory disqualification prohibition.⁴¹ The Commission also adopted capital, margin and segregation rules intended to help ensure the safety and soundness of firms that stand at the center of our security-based swap market and to protect their counterparties and reduce risk to the market as a whole. Finally, the Commission has proposed rules and interpretative guidance intended to improve the framework for regulating cross-border security-based swap transactions and market participants, as well as a rule to apply risk mitigation techniques to portfolios of uncleared security-based swaps.⁴² In the coming year, the

⁴⁰ See Fixed Income Market Structure Advisory Committee, available at <https://www.sec.gov/spotlight/fixed-income-advisory-committee>.

⁴¹ See Press Release 2019-293, SEC Adopts Rule of Practice 194 (Dec. 19, 2018), available at <https://www.sec.gov/news/press-release/2018-293>.

⁴² See Press Release 2019-69, SEC Proposes Actions to Improve Cross-Border Application of Security-Based Swap Requirements (May 10, 2019), available at <https://www.sec.gov/news/press-release/2019-69>.

Commission anticipates completing consideration of these pending security-based swap rulemakings under Title VII.⁴³

As part of this effort, SEC staff has been actively engaged with our counterparts at the CFTC to explore ways to further harmonize the Commission's security-based swap rules with the swap rules developed by the CFTC to increase effectiveness and reduce complexity and costs. To further this cooperation, the SEC and CFTC executed a memorandum of understanding (MOU),⁴⁴ which explicitly acknowledges shared regulatory interests between the agencies—including, but not limited to, Title VII—and reconfirms our commitment to work together to facilitate efficient markets for the benefit of all market participants.

In addition to continued discussions with the CFTC regarding Title VII harmonization, the Commission and staff have engaged with our fellow financial regulators to address other issues in our combined markets in a consistent manner. With respect to the Volcker Rule, the Commission, jointly with the other federal financial regulators, adopted a final rule to exclude community banks from the Volcker Rule, consistent with the Economic Growth, Regulatory Relief, and Consumer Protection Act.⁴⁵ The final rule also permits a hedge fund or private equity fund, under certain circumstances, to share the same name or a variation of the same name with an investment adviser as long as the adviser is not an insured depository institution, a company that controls an insured depository institution, or a bank holding company.

The Commission and the staff are also working with the SROs on the implementation of the Consolidated Audit Trail (CAT). The CAT is designed to provide a single, comprehensive database that, when fully implemented, should allow regulators to more efficiently and accurately track and monitor trading in equities and options throughout the U.S. markets. Among other things, the CAT is intended to allow the Commission to better carry out its market oversight responsibility by improving our ability to reconstruct trading activity following a market disruption or other event, which in turn would allow us to more quickly understand the causes of such an event and respond appropriately. In addition, the ability to better reconstruct trading activity would allow SROs and the Commission to better identify and address illicit market behavior. Under the CAT NMS Plan, the SROs—the national securities exchanges and FINRA—are responsible for developing and implementing the CAT. They were required to begin reporting data to the CAT by November 15, 2017, but they did not begin reporting by that deadline.

While the SROs are making progress and have begun reporting SRO transaction data, the remaining CAT functionality required under the CAT NMS Plan is being implemented in phases. To reduce the likelihood of further unnecessary or unanticipated delays and to increase the transparency of the implementation process for market participants who must bring their systems into compliance for reporting to the CAT, the Commission recently proposed amendments to the

⁴³ See Agency Rule List-Spring 2019, U.S. Sec. and Exch. Comm'n, *available at* https://www.reginfo.gov/public/do/eAgendaMain?operation=OPERATION_GET_AGENCY_RULE_LIST¤tPub=true&agencyCode=&showStage=active&agencyCd=3235.

⁴⁴ See Press Release 2018-114, SEC and CFTC Announce Approval of New MOU (June 28, 2018), *available at* <https://www.sec.gov/news/press-release/2018-114>.

⁴⁵ See Press Release 2019-124, Agencies Adopt Final Rule to Exclude Community Banks from the Volcker Rule (July 9, 2019), *available at* <https://www.sec.gov/news/pressrelease/2019-124>.

national market system plan governing the CAT.⁴⁶ These proposed amendments would require the SROs to file with the Commission and to make publicly available an implementation plan and quarterly status reports. The proposed amendments also would establish provisions that are designed to introduce financial accountability and promote senior management attention to implementation in order to help ensure the SROs meet certain CAT implementation milestones in a timely fashion.

The Commission is aware of concerns surrounding CAT, most notably regarding the protection of investors' PII that would be stored in the CAT. The Commission shares these concerns and continues to make the protection of CAT data—particularly any form of PII—a top priority. The SROs have announced that, working with industry experts, they are moving forward with an approach to identifying customers where social security numbers will not be maintained by the CAT but will be hashed or masked. Further, SEC staff is considering recommending to the Commission additional amendments to the CAT NMS Plan regarding data security enhancements. Finally, as Chairman Clayton has noted, the SEC will not retrieve sensitive PII from the CAT unless it has a regulatory need for the information and believes appropriate protections to safeguard the information are in place.

Standards of Conduct for Investment Professionals

The Commission recently adopted a package of rulemakings and interpretations regarding retail investors' relationships with SEC-registered investment advisers and broker-dealers. Specifically, these actions include new Regulation Best Interest, the new Form CRS Relationship Summary (Form CRS) and two separate interpretations under the Investment Advisers Act of 1940 (Advisers Act).⁴⁷ While all members of the Commission do not agree with all aspects of these rules and interpretations, there is general agreement that it was past time for the Commission to act in this space, particularly as more and more Americans are responsible for their retirement savings.

Regulation Best Interest requires broker-dealers to act in the best interest of a retail customer when making a recommendation of any securities transaction or investment strategy involving securities to a retail customer. Regulation Best Interest is designed to enhance the broker-dealer standard of conduct beyond existing suitability obligations and make it clear that a broker-dealer may not put its financial interests ahead of the interests of a retail customer when making recommendations. Among other features, Regulation Best Interest expressly applies to account recommendations, which includes recommendations to roll over or transfer assets in a workplace retirement plan account to an IRA, recommendations to open a particular securities account (such as a brokerage account or advisory account) and recommendations to take a plan distribution for the purpose of opening a securities account. These recommendations are often provided at critical moments (such as at retirement) and may be irrevocable, can involve a substantial portion of a retail investor's net worth and can have significant long-term impacts.

⁴⁶ See Press Release 2019-173, SEC Proposes Transparency and Financial Accountability Amendments to the CAT NMS Plan (Sept. 9, 2019), available at <https://www.sec.gov/news/press-release/2019-173>.

⁴⁷ See Press Release 2019-89, SEC Adopts Rules and Interpretations to Enhance Protections and Preserve Choice for Retail Investors in Their Relationships with Financial Professionals (June 5, 2019), available at <https://www.sec.gov/news/press-release/2019-89>.

Form CRS will require investment advisers and broker-dealers to provide retail investors with streamlined information to aid them in understanding the nature of their relationship with their financial professional. Form CRS will also include a link to a dedicated page on the Commission’s investor education website, Investor.gov, which offers educational information about broker-dealers and investment advisers, and other materials.

The Commission also issued an interpretation of the fiduciary duty that investment advisers owe to their clients under the Advisers Act. Finally, the Commission issued an interpretation of the “solely incidental” prong of the broker-dealer exclusion under the Advisers Act, which is intended to delineate more clearly when a broker-dealer’s performance of advisory activities causes it to become an investment adviser within the meaning of the Advisers Act.

In connection with the rulemaking, the SEC launched a Main Street investor education campaign designed to help retail investors understand key differences between broker-dealers and investment advisers and to help them decide whether working with one of these types of financial professionals is right for them. Features of this campaign include short, educational videos designed to provide ordinary investors with basic information about investment professionals that are available on Investor.gov,⁴⁸ as well as a series of retail investor events.⁴⁹

Proxy Process Improvements

Another initiative for 2019 is improving the proxy process. In November 2018, SEC staff held a proxy roundtable to discuss: (1) the proxy solicitation and voting process; (2) shareholder engagement through the shareholder proposal process; and (3) the role of proxy advisory firms.⁵⁰ Given the overall complexity of the proxy “plumbing” underlying the proxy voting system, SEC staff continues to encourage input from market participants to identify actionable, interim improvements to the current system. Recently, the Commission issued guidance related to investment advisers’ fiduciary duties in fulfilling their proxy voting responsibilities, particularly where they use the services of a proxy advisory firm. On the same date, the Commission issued an interpretation that voting advice provided by a proxy advisory firm generally constitutes a “solicitation” under the federal proxy rules and provided related guidance about the application of the proxy antifraud rule to proxy voting advice.⁵¹ SEC staff also is developing recommendations regarding the ownership and resubmission thresholds for shareholder proposals, as well as the proxy solicitation exemptions relied on by proxy advisory firms for the Commission’s consideration.

⁴⁸ See Investor.gov; see also Press Release 2019-153, SEC Releases Videos for Investors on Choosing and Working with a Financial Professional (Aug. 15, 2019), available at <https://www.sec.gov/news/press-release/2019-153>.

⁴⁹ See Press Release 2019-144, SEC Chairman Clayton Announces Events for Main Street Investors in Chicago (Aug. 5, 2019), available at <https://www.sec.gov/news/pressrelease/2019-144>; see also Press Release 2019-100, SEC Chairman Clayton Announces Events for Main Street Investors in Boston (June 19, 2019), available at <https://www.sec.gov/news/press-release/2019-100>.

⁵⁰ See November 15, 2018: Roundtable on the Proxy Process, available at <https://www.sec.gov/proxy-roundtable-2018>.

⁵¹ See Press Release 2019-158, SEC Clarifies Investment Advisers’ Proxy Voting Responsibilities and Application of Proxy Rules to Voting Advice (Aug. 21, 2019), available at <https://www.sec.gov/news/press-release/2019-158>.

Investor Education Initiatives

The SEC promotes informed investment decision-making through education initiatives aimed at providing the investing public with a better understanding of our capital markets and the opportunities and risks associated with the array of investment choices presented to them. OIEA spearheads these efforts, and participation extends throughout our divisions and offices.

The SEC's investor education platform covers a wide variety of subjects and uses multiple communication channels, including in-person outreach and use of social and digital communication. OIEA is continuing its "Before You Invest, Investor.gov" public service campaign focused on empowering retail investors through information and education, including raising awareness about Investor.gov and helping individuals protect themselves from investment fraud. OIEA, in conjunction with SEC regional offices, expects to participate in over 500 in-person outreach events in FY 2019, including events for senior citizens, military personnel, younger investors and other affinity groups. OIEA frequently works with others outside the agency to facilitate access to the information investors need to make informed investment decisions.

As part of these efforts, the staff would welcome an opportunity to work with your offices to conduct nonpartisan, public outreach events for investors. The SEC regularly conducts outreach events involving older Americans and college and high school students, as well as members of the military. SEC staff frequently speaks with the public in various locations, including community centers and libraries, and OIEA has programs for investors that can be delivered locally. If such programs would be of interest, the Office of Legislative and Intergovernmental Affairs and OIEA can work with your staff to tailor a presentation to the needs of the audience.

In addition to in-person outreach, the OIEA develops informative, innovative and accessible educational initiatives. Last year, for example, we created a website to educate the public about frauds involving ICOs and just how easy it is for bad actors to engineer this type of fraud—our HoweyCoins.com mock website promoted a fictional ICO. The website was created in-house, very quickly and with few resources. It attracted over 100,000 people within its first week. The SEC also published a variety of investor alerts and bulletins to warn retail investors about other possible schemes and risks for fraud, including certain investment schemes that use celebrity endorsements, self-directed individual retirement accounts, the risks in using credit cards to purchase an investment and the potential harm resulting from sharing their personal contact information with online investment promoters.

Conclusion

Thank you for the opportunity to testify today and for the Committee's continued support of the SEC, its mission and its people. The Commission looks forward to working with each of you to advance our mission to the benefit of investors and our capital markets.