

March 5, 2015

By Eliza Ong

A few weeks ago, all five commissioners from the Securities and Exchange Commission (SEC) presented at the 44th annual **SEC Speaks** conference.

Here are highlights from each Commissioner's prepared remarks...

	<p>Mary Jo White – SEC Chairman</p> <p><i>"By every meaningful measure, 2014 was a year of significant accomplishment across all of the agency's areas of responsibility... But, as always, we have more to do and expect a very busy 2015."</i></p>
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Chairman White reviewed the SEC's achievements in 2014, including adopting reforms to address risks exposed by the financial crisis in the area of money market funds, over-the-counter derivatives and asset-backed securities. She also highlighted the strong progress made in enforcement and examination, discussing a number of "first-of-their-kind" cases. Chairman White set out the following priorities for 2015, which will focus on fundamental reforms central to the Commission's mission:

1. Enhancing Market Structure	<ul style="list-style-type: none"> • Enhance the transparency of alternative trading system operations • Expand investor understanding of broker routing decisions • Address the regulatory status of active proprietary traders • Mitigate market stability concerns through a targeted anti-disruptive trading rule.
2. Strengthening Asset Managers	<ul style="list-style-type: none"> • Modernize and enhance data reporting for both funds and investment advisers • Require registered funds to have controls in place to more effectively identify and manage the risks related to the diverse composition of their portfolios • Plan for the impact of market stress events or when an adviser is no longer able to serve its clients
3. Facilitating Capital Formation for Smaller Issuers	<ul style="list-style-type: none"> • Focus on implementing the final two major mandates of the JOBS Act <ul style="list-style-type: none"> – Regulation A+ – Crowdfunding

	<p><u>Luis A. Aguilar – Commissioner</u></p> <p><i>"A well-regulated and transparent market instills investor trust and confidence, which is vital to protecting the continuing growth of our economy."</i></p>
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Commissioner Luis Aguilar outlined what he believes to be the most important priorities of the SEC in 2015:

1. Dodd-Frank Rulemaking	<ul style="list-style-type: none"> Finalize the remaining 39 rulemakings mandated to the SEC by the Dodd-Frank Act, in particular in the area of derivatives and corporate governance
2. JOBS Act	<ul style="list-style-type: none"> Adopt final rules to Regulation A-plus and Crowdfunding Amend Regulation D to mitigate the risks posed to investors involved in general solicitations
3. Enforcement Cases that Send Strongest Message of Deterrence	<ul style="list-style-type: none"> Prevent wrongdoers from being allowed to remain in a role that permits them to continue to hurt investors (i.e., seek permanent industry bars and officer and director bars)
4. Improving Diversity at the SEC	<ul style="list-style-type: none"> Establish internal processes to ensure that diverse individuals are recruited, hired, trained, mentored, compensated fairly, and promoted

	<p><u>Daniel Gallagher – Commissioner</u></p> <p><i>"One size fits all regulation, in practice, tends to end up as one size fits none."</i></p>
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Commissioner Daniel Gallagher was critical of the Department of Labor’s re-proposal of Fiduciary Rule (which is not released yet but was leaked in a White House memo), which he claims will ban or effectively ban conflicts. As this could result in the loss of categories of products and services that are now available to investors, Gallagher advocates establishing a regulatory system that balances mitigating conflicts and effective disclosures with expanding investment opportunities for the good of individual investors and the economy as a whole.

Gallagher acknowledges that SEC’s regulation of investment professionals is not perfect but believes that the model is not fundamentally broken. He believes that the SEC should evolve with the market and market participants, watch as changes develop, learn what new conflicts they could generate, and ensure appropriate disclosures are made.

	<p><u>Kara M. Stein – Commissioner</u></p> <p><i>"Digital disruption is a new force in our securities marketplace. It disrupts the status quo and drives new and powerful innovations. However, it also disrupts our regulatory paradigm. We can and need to do more to keep pace."</i></p>
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Commissioner Kara Stein spoke about the digital revolution and how technological enhancements may impact regulation:

<p>1. Rethink and re-envision disclosure</p>	<ul style="list-style-type: none"> • Leverage data to enhance disclosure and provide greater transparency • Modernize Electronic Data Gathering, Analysis and Retrieval system (EDGAR) to make the information contained in the filings more accessible to investors • Improve the collection and use of data
<p>2. Technology has increased complexity and require a rethink of approach to traditional financial products</p>	<ul style="list-style-type: none"> • History has shown that complexity and opacity are bad for investors, market and capital formation • Need to continuously ask whether endlessly complex products are facilitating capital formation • Focus on ways to improve the transparency of interconnections between firms that are masked by complexity
<p>3. Principles (e.g. compliance) that are perennial and vitally important</p>	<ul style="list-style-type: none"> • Anti-fraud provisions • Firm’s culture sets the tone for regulatory compliance • Enforcement actions are a powerful deterrent • Use of automatic disqualifications, or “bad actor bars”

	<p><u>Michael S. Piwowar – Commissioner</u></p> <p><i>"Not every Commission task can be on the proverbial "front burner." In order for the Commission to function in an orderly manner, we need to have policies to prioritize what we will focus on in rulemakings, enforcement actions, and examinations."</i></p>
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Finally, Commissioner Michael Piwowar discussed how to make the SEC a more fair, orderly and efficient agency. His main message points included:

<p>1. Fair - Apply the same principle of disclosure as required by public companies and key participants to the SEC</p>	<ul style="list-style-type: none"> • Rulemaking <ul style="list-style-type: none"> - Must not engage in rulemaking by enforcement or through examinations of regulated entities - Reduce the length of releases • Litigation <ul style="list-style-type: none"> - Formulate and adhere to a consistent set of guidelines when conducting enforcement proceedings - Set out and implement guidelines for determining which cases are brought in administrative proceedings and which in federal courts. - Establish policy or guidelines that would allow a party to determine if it would be eligible for applicable waivers.
<p>2. Orderly - Prioritize rulemakings, enforcement and deployment of resources</p>	<ul style="list-style-type: none"> • Determine whether each rulemaking advances the core mission of the Commission: protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation • Enforcement efforts should be closely aligned with the priorities developed by the SEC’s policy-making divisions • Deployment of the Commission’s limited resources must change in response to changes in the industry.
<p>3. Efficient - Use limited taxpayer resources in an efficient and prudent manner</p>	<ul style="list-style-type: none"> • Strategic investments in cutting-edge technology (e.g. Market Information Data Analytics System (MIDAS)) • Designed reorganizations and reallocations of our resources • Usage of investor testing, pilot programs, and retrospective reviews of existing rules. • Improved engagement and collaboration with academic and industry experts