

Opening Remarks at Investor Advisory Committee

SEC Chair Mary Jo White

Oct. 9, 2014

Good morning, and welcome to today's meeting of the Investor Advisory Committee.

I want to touch briefly today on the Commission's rulemaking agenda since you last met, mention a few other developments and give a brief update on the status of our consideration of your recommendations.

Rulemaking Agenda

The Commission has completed three sets of important rulemakings since your last meeting in July. They each put in place critical new investor protections to address some of the most significant risks in the securities markets highlighted by the financial crisis.

In July, the Commission adopted a number of structural and other measures to reform money market funds, to enhance their transparency and protect against run risks during periods of stress.

In August, we did two quite significant Dodd-Frank Act rulemakings. In the first, the Commission adopted major changes to the registered asset-backed security disclosure regime. Investors will now get critical loan-level information about major asset classes, the time necessary to review that information, and better remedies for holding issuers to account for what they represent and warrant.

Also in August, we finalized over a dozen very important Dodd-Frank Act mandates related to conflict of interest and governance of credit rating agencies.

So what's coming next on the rulemaking front? As I have said in recent testimony, we will be particularly focused on the rules to implement Dodd-Frank's executive compensation and OTC derivatives mandates. I also expect the Commission to act soon with our fellow regulators on credit risk retention. And we will be pushing forward in the near term on rulemakings outside of the Dodd-Frank Act, including Regulation SCI to strengthen the resiliency of the critical systems that underlie our markets and various other market structure measures to enhance the transparency and stability of our equity markets, in addition to finalizing our remaining JOBS Act mandates.

We are also making good progress on our disclosure effectiveness project, and the Division of Corporation Finance is working hard to develop specific recommendations for updating the disclosure requirements for companies. The staff has done significant outreach and would greatly welcome additional input from investors.

Other Developments

Rulemaking is, of course, only one part of our agenda to protect investors. Strong enforcement is also critical. We just ended fiscal year 2014 and we will soon be announcing our enforcement results. While I cannot talk about specifics until the information is made public, I can tell you that it was a very successful year in terms of both the breadth and quality of the cases, as well as the number of cases brought and orders obtained requiring disgorgement and civil penalties.

We have also been busy bringing in some very talented people to key positions. Last month, I am pleased to report, we appointed Tracey McNeil as the ombudsman for the SEC working with Rick Fleming, our Investor Advocate. Tracey will act as a liaison in resolving issues that retail investors may have with the Commission or the self-regulatory organizations.

Dr. Mark Flannery recently joined the Commission staff as our new Chief Economist and Director of the Division of Economic and Risk Analysis (DERA), which is one of the primary Divisions that is leading the structured data initiatives that are central to one of your recommendations. Mark joins us from the University of Florida and, while he may be new to the SEC, he is long conversant with the use and value of structured data. In fact, his inaugural speech as the DERA Director last week, posted on the SEC website, was dedicated entirely to the topic of structured data.

This week, we also welcomed Jim Schnurr as the Commission's new Chief Accountant. Jim, who recently retired from Deloitte, has broad experience in accounting, financial reporting and risk management, which will benefit investors and our markets. He also has extensive experience in interacting with regulators and accounting and auditing standard setters, and he will be a great asset to you and to the Commission.

Recommendations

I want to now turn to updating the status on some of your outstanding recommendations.

The Committee has previously considered the issue of universal proxy ballots and submitted a recommendation to the Commission. As I have remarked before, this is an important issue for investors and other market participants, and is also — like so many other parts of the proxy system — tied to a range of other critical issues. To explore these issues, the Commission will hold a roundtable early next year on a number of proxy matters, including universal ballots.

Relevant to your recommendations with respect to data tagging, I understand that the Investor as Owner Subcommittee will receive later this afternoon a briefing from the staff on the use of structured data, which remains an important, ongoing priority. With the Commission briefings on the Committee's data tagging recommendation completed, the staff is continuing to work on ways to improve the quality and usefulness of structured data while reducing the burdens on companies as much as possible.

Shortly before your July meeting, DERA posted a report on its assessment of the use of custom tags in XBRL exhibits with financial statement information. DERA also performed an analysis of calculation errors in companies' XBRL submissions and, as a result, the Division of Corporation Finance in July issued a "Dear CFO" letter to several companies that failed to include all required calculation relationships in their XBRL data. We expect that both the report and "Dear CFO" letter will provide helpful guidance for companies and third-party service providers.

With respect to your recommendation on tick sizes, the Commission, as you know, received in August a proposal from FINRA and the exchanges to implement a targeted 12-month pilot program that will widen tick sizes for certain stocks. The Commission plans to use the pilot program to assess whether such changes would enhance market quality for smaller capitalization stocks for the benefit of investors and issuers. I expect that the Commission will soon publish the proposal for public comment, and I welcome the Committee's further feedback on both the broader policy considerations and the particulars of the pilot design.

The staff is continuing its work in areas of other important Committee recommendations on target date funds, consideration of a uniform fiduciary duty and we remain focused on ways to obtain sufficient funding for investment adviser examinations.

Conclusion

Let me stop there. You have a very full agenda of important topics for today's meeting — an agenda that demonstrates, once again, how invaluable the Committee is in advising the Commission on the priorities that are important to investors and important to us. As always, you have our deep appreciation for your

work.

Thank you.

Last modified: Oct. 9, 2014