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SPEECH

Remarks at the Conference on Financial Market Regulation

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Good afternoon, ladies and gentlemen. And thank you, Josh [White], for your generous introduction. Before sharing a few reflections, I must note that the views I express here are my own as Chairman and do not necessarily reflect those of the SEC as an institution or of my fellow Commissioners.

Of course, I should also like to thank those who contributed to the success of this conference — especially the organizers: Amy Edwards, Vlad Ivanov, Katie Fox, Harmony Yang, and Robert Miller from the Division of Economic and Risk Analysis; Meg Wolf and Kathleen Hanley from Lehigh University; and Ian Appel and Caitlin Boyer from the University of Virginia.

Your work to bring together scholars, researchers, and practitioners comes at a consequential moment for the Commission — and for the broader financial system — a moment in which economic analysis is more central than ever to the conduct and durability of sound financial regulation.

You all know better than most that the quality of our work is only as high as the rigor of our inquiry. This rings true in our rulemaking, of course, but no less in the integrity of our enforcement program — especially as we work to return it to its principled roots and original Congressional intent.

The mission that Congress set for the SEC is clear: to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation. Yet often over the years, the agency's enforcement program drifted from that

missional anchor. The Commission began wielding enforcement more like a sledgehammer than a scalpel — not to remedy demonstrable harm with precision, but to signal regulatory displeasure and expand agency jurisdiction.

Over the past year, however, we have recalibrated that approach. We have empowered the talented, hardworking enforcement staff to pursue cases that provide meaningful investor protection and strengthen market integrity — cases grounded in fact and careful analysis, in principle rather than in personal preference and regulation through enforcement. Today, we no longer measure the success of our program by the quantity of enforcement actions or the headlines that they generate, but by the quality and credibility of the actions that we take. And with our new Enforcement Director David Woodcock at the helm, I am confident that his decades of enforcement experience — in both public service and the private sector — will position him and the staff well to effectively carry this mission forward.

At the crux of the course correction that we have undertaken rests methodical economic analysis. Economic scrutiny is not merely a best practice or an optional procedure when considering the appropriate corporate penalties in an enforcement action — though some past Commissions have treated it as such; rather, it is a principled imperative. By looking through the lens of economic evidence, we can assess a corporation's benefit from a violation of the federal securities laws and ensure that the penalties are proportionate to the conduct at issue.

Economic analysis is also crucial to understanding whether or not a violation of the federal securities laws occurred for certain types of cases, and the scope of that violation — for example, in preferential allocation or “cherry-picking” cases. And even after an enforcement case is complete, high-caliber economic analysis is critical to determining how to distribute recovered funds to harmed investors accurately, transparently, and fairly.

In short, just as the Commission evaluates proposed rules through rigorous economic inquiry, often drawing on the data that researchers in this room provide, so too must our enforcement work be grounded in — and commensurate with — the economic evidence at hand.

I expect that our economists at the SEC should play a vital role in helping our enforcement staff separate the wheat from the chaff through sound analysis and factual research. Fraud, manipulation, and trading on material non-public information cause real harm to real people, and we will pursue those cases

with vigor. But we will do so with the discipline and analytical diligence that the gravity of enforcement demands.

The Commission could not keep that commitment without the caliber of talent gathered across this room. Academic research is indispensable in helping us identify the costs, benefits, and unintended consequences of regulatory decisions — both retrospectively and prospectively. The dedicated work done by those assembled here and in institutions across the country gives us the empirical foundation upon which sound regulatory policy and sensible law enforcement must be built.

When the Commission acts without that foundation, it risks the very outcomes that it seeks to prevent — markets that are less fair, less efficient, and less capable of serving the investors and innovators who depend on them.

Indeed, we value the research that you do. And I say that not as a pleasantry, but as a proclamation of institutional commitment. The Division of Economic and Risk Analysis exists precisely to ensure that the insights that you generate are considered in the decisions that we make. I intend to continue to strengthen that function — not to diminish it.

My comments at last year's conference endure in relevance: that regulation is a bit like golf.^[1] It requires careful, precise strokes and meticulous analysis of shot selection to achieve the intended result. If you choose the wrong club, or swing too hard, you risk overshooting the green. In the end, it is the short game — precision, patience, discipline — that most reliably sinks the ball in the hole.

The Commission's integrity — and the strength of our capital markets — depends on our willingness to pursue precise analytical work before we act, and to continuously reevaluate that work as we move forward. It depends on our confidence in what we do know, and our inquiry into what we do not. And it depends on our commitment to letting the evidence, rather than the impulse to regulate or enforce, guide our hand.

At the SEC, economic rigor has an abiding place at the table of regulatory decisions. Policy is no longer set by ad hoc enforcement actions. And, with your engagement, we will police the market by prioritizing cases that further our investor protection goals rather than by amplifying technical rule violations to achieve a policy goal.

Now, let me close where I began — with the consequential moment in which we meet. Today, the relationship between the federal government and the capital markets that the Commission oversees is being renegotiated in real time — not

in seminar rooms alone, but in courtrooms, on trading floors, and in the corridors of this Commission. The work that you do matters beyond productive discussions like today's. It matters to the investors who trust that the market that they participate in is honest, and to the entrepreneurs who trust that the risk of innovation can prove worth it in a system that seeks to reward it. Economic analysis is not removed from those realities. It is, at its best, the lantern by which we navigate them.

So, thank you for the work that you do toward that end. You have been a patient and indulgent audience, and I wish you a successful and enjoyable remainder of your conference. Thank you.

[1] See Paul Atkins, Remarks Before the Securities Traders Association (Oct. 7, 2004), available at <https://www.sec.gov/news/speech/spch100704psa.htm> ([http://www.sec.gov/news/speech/spch100704psa.htm](https://www.sec.gov/news/speech/spch100704psa.htm)).

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