Opening Remarks at the "SEC Speaks" Conference

Chairman Jay Clayton

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Thank you, Bill [Hinman], for that gracious introduction.[1] I am delighted to kick off this event. Let me start by acknowledging the remarkable group of people who do serve or have served at the Securities and Exchange Commission ("SEC" or "Commission"). As is a tradition at this conference, I ask that every current member of the SEC staff please stand. Now, would alumni of the agency please join them in standing.

I commend all of you for your public service and commitment to the SEC's mission and America's investors. The legacy that this agency has, and what it continues to develop, is extraordinary. And, it is nothing short of a privilege to be in your company. One of the best parts of this job is that I am now part of the SEC family.

I will divide my time today into two parts, a practitioner's analysis of the Commission and questions from Chairman Pitt.

Practitioner's Analysis of the Commission

From my early days in private practice, I was in the lucky position of having a job where I was able to explore a great curiosity of mine: what makes a successful organization? Much of what corporate lawyers, particularly capital markets lawyers, do is probe and try to explain how companies have operated and where they are headed. In the trade, we refer to this as due diligence and disclosure.

In short summary, I view due diligence in three parts. First, does the company have the foundation you would expect? For example, is it on par with its peers in terms of the quality of its assets, costs of sales, and margin? Second, does the company have ample goodwill, and hopefully for its investors, more goodwill than its peers? For instance, is the brand strong, and are its customers loyal? And, finally, does the company have a differentiator, or "special sauce?" In essence, does it have something that will provide investors with long-term superior returns? You can apply this same perspective to many organizations — not just companies.

Turning that lens to the Commission is an interesting exercise. We have a foundation of exceptional design and resilience, with the '33 and '34 Acts being the bedrock components. But, in comparison to companies that operate in the financial markets, the asset side of our balance sheet is far from extensive — the Commission has over 4,500 people and an annualized budget of $1.6 billion in fiscal year 2018. With these resources, we oversee approximately 4,100 exchange-listed public companies, $74 trillion in annual securities trading, and the activities of nearly 27,000 registered market participants. By comparison, in 2016 one large financial institution alone spent more than $9.5 billion on technology and had over 240,000 employees. I will repeat — the SEC has a foundation of exceptional design and resilience, but it is relatively small by many measures.

What about goodwill? This is where the SEC's over 4,500 talented people, and those who came before them, feature. Over the years, our people, both individually and collectively, have developed a strong reputation. When we call, people pick up the phone. When we take action — whether through rulemaking, inspections, or enforcement — behavior changes, and investors, industry participants, and

the public are likely to support our work. Why? Because we exercise our regulatory powers with a laser focus on the Commission's mission, which requires, among other things, integrity, energy, expertise, and good judgment. Note, these are uniquely human characteristics.

Last, the special sauce. To do well for over 86 years, it is crucial to have a differentiator. In my experience, the companies that delivered long-term superior returns to their shareholders had a common trait — the ability to adapt. The Commission has demonstrated this ability time and again. The SEC's adaptability stems from (1) a foundation of flexible design and resilience and (2) high-quality, dedicated people who recognize that markets are ever changing. Goodwill is not a given. Like many assets, if it is taken for granted, it dissipates in value. And for the Commission to maintain its goodwill, we must be nimble and forward-looking. I will repeat that too — we must be nimble and forward-looking because these abilities have been our differentiators. For example, global electronic trading, interconnected cash and derivatives markets, ETFs, the VIX, and quantitative easing were concepts that were unknown when many of us were slugging prospectus proofs at the printer. The SEC has taken these changes in stride and in many cases has led the way.

So, in short, how does my three-part analysis apply to the Commission? The people of the SEC — past and present — laid the foundation, are the goodwill, and they bring the special sauce. America's investors are counting on us to continue to deliver.

Thank you.

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[1] My words are my own and do not necessarily reflect the views of my fellow Commissioners or the SEC staff.