

## Public Statement

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# Statement on Publication on the Commission's Website of Procedures for Nominating Candidates for Appointment to the Investor Advisory Committee



**Commissioner Elad L. Roisman**

**Aug. 5, 2020**

Good morning, and thank you to everyone joining us today. I am pleased to have the opportunity to voice my support for this recommendation to update the nomination process for one of the SEC's statutorily required advisory committees: The Investor Advisory Committee, or "IAC."

The Dodd-Frank Act established the IAC and gave it an important purpose: to advise and consult with the Commission on regulatory priorities of the Commission; issues relating to the regulation of securities products, trading strategies, fee structures, and the effectiveness of disclosure; initiatives to protect investor interests; and initiatives to promote investor confidence and the integrity of the securities marketplace.<sup>[1]</sup> I appreciate the work of this Committee; I have learned from my discussions over the years with its members and I thank them for their service.

When this Committee was first formed, the Commission pursued an informal process that allowed individual Commissioners to take turns nominating candidates for membership to the IAC. Aside from the fact that nominees must receive the support of a majority of the Commission, there were no Commission-approved procedural directives put in place nor any other criteria to be followed outside of the statutory requirements, which are minimal. Since the formation of the IAC, the SEC has established several other advisory committees, including, under Chairman Clayton, the Fixed Income Market Structure Advisory Committee, the Asset Management Advisory Committee, and the Small Business Capital Formation Advisory Committee. The members of these three committees were nominated by staff-led processes that identified candidates based on functional categories. We have gained a lot of experience and have seen many benefits from the composition and interactions of these committees.

Here are a few personal observations about SEC advisory committees: 1) Commissioners are not the best placed people to identify advisory committee candidates—the expert SEC staff is better positioned to identify people with relevant areas of expertise; 2) I learn more from committee members who are able to weigh in based on practical experience and technical knowledge, rather than based on their ideological viewpoints; 3) diversity does not just happen—there must be a purposeful and methodical effort to identify and recruit diverse candidates to these advisory committees; 4) term limits for members are important in order to ensure fresh perspectives on the

committee; 5) overlap in the viewpoints or representation of certain groups can overshadow other members and inhibit the Commission's ability to learn from a wider range of represented perspectives; and 6) I benefit from hearing from people who do not normally engage with us in the ordinary course of our policymaking.

The Commission and SEC staff efforts to update and memorialize the IAC nomination process predate me, but I am grateful to have had the chance to support this effort to improve transparency and further implement good governance practices. It is long past time that we updated the structure of our IAC to reflect the lessons learned from other committees. Since I arrived at the SEC, I have felt uncomfortable being put into the position of hand-picking people for this committee, so I have declined to do so. The process we put in place today eliminates the perception that I—as a Commissioner—am a “king-maker” who has the unilateral ability to appoint friends and acquaintances to a coveted position. I am happy that we will be updating our process for candidates' selection as well as ensuring that the IAC members not only represent the views of different types of investors, both retail and institutional, but also provide us with recommendations based on investing experience. Even more, I am happy that we are publishing these procedures, so that members of the public can see how this type of committee is put together and even provide us with recommendations for candidates based on the list of functional categories (something that has not been done before).[2] It is my sincere hope that this will allow us to consider candidates from outside of Washington who can offer different viewpoints than we already receive.

Thank you so much to everyone who worked on this initiative and for your work on this memorandum. And a huge “thank you” to the members of the staff who serve on the nominating committee and compiled a terrific list of functional categories; you have impressed me so far with your professionalism and ability to recommend excellent candidates for the IAC, and I look forward to your future recommendations. I am happy to vote in favor of this memorandum.

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[1] See 15 U.S.C. § 78pp (2012).

[2] This past June, the SEC added to its website a link to a dedicated e-mail address that allows members of the public to express their interest in serving on the IAC. See <https://www.sec.gov/spotlight/investor-advisory-committee.shtml>.