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STATEMENT

Dad Jokes: Remarks at the 13th Annual Conference on Financial Markets Regulation

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I am delighted to be part of the 13th Annual Conference on Financial Markets Regulation and Josh White's first as director of the SEC's Division of Economic and Risk Analysis ("DERA"). Thank you to DERA and the conference's other hosts: Lehigh University's Center for Financial Services and the University of Virginia's Darden School of Business. As you know, my comments are my own as a Commissioner and not necessarily those of the SEC or my fellow Commissioners.

That disclaimer is especially applicable to jokes, which is how I prefer to begin speeches to economists — a habit for which my father undoubtedly is to blame. My Dad is an old-school economist; he combines a deep interest in everything — history, political economy, law, theology, engineering, sociology, natural sciences, poetry, and more — with an encyclopedic knowledge of economic theory and the history of economic thought, a profound understanding of how economic principles operate in the real world, and an erudite sense of humor. My joke is not erudite or even particularly funny, but it may be timely. What do economists, regulators, and prediction markets traders have in common and *not* have in common? They are all unduly confident that they can forecast truth, but only the first two get compensated for their bad forecasts.

Speaking of prediction markets, if someone had asked me in 2018 at the start of my tenure as a Commissioner to predict which market would be dominating the headlines in 2026, the prediction market would not have been it. By 2018, the Iowa Electronic Markets, a nonprofit predictions market run out of the University of Iowa, had existed for three decades,[1] but I did not see commercial prediction markets on the horizon.

In 2022, when the Commission proposed extensive climate reporting rules, I predicted that were such a regime adopted, “the demand for widespread access to prediction markets in the United States [would] likely . . . rise.”[2] I thought that the disclosure requirements under that rule would force firms to make guesses about future climate policy, and that they might find prediction markets helpful in making better guesses. Oh, how things have changed! Commercial prediction markets have taken off (albeit not the ones I anticipated) and show no sign of slowing down. And the SEC is proposing to rescind the climate rules — a fact that showed up several days ago on the Office of Information and Regulatory Affairs (“OIRA”) dashboard, the website that Washington lobbyists visit as often as college fraternity brothers hit up sports prediction markets.[3]

The fascination with trading is not limited to prediction markets. The options market, a favorite of many retail investors, has expanded dramatically in recent years. As the number of options proliferates, message volumes jumped from 9 billion a day in 2017 to 247 billion a day in 2025.[4] Trading in options on expiration day (“Zero-Day-to-Expiration” or “ODTE”), the topic of one of yesterday’s papers,[5] has increased from approximately 20 percent in 2022 to 28 percent of volume today, and largely driven by retail traders.[6] A paper being discussed this afternoon concludes that retail investors also enthusiastically trade in active exchange-traded funds (“ETFs”), to “chas[e] extreme performance, in either direction, over short-term horizons.”[7] And, of course, retail investor participation in equity markets remains high well after the end of the COVID lockdowns and relief payments that first inspired many retail traders to download trading apps.[8] Retail investors like trading all of these asset classes and more, including crypto, gold, silver, and perpetual futures. Many of these assets are not securities, but they are finding their way into ETFs as well. Well-designed user interfaces make trading fun and easy. And AI bots are awake and eager to trade for us when we sleep. Old products and new fads combine in a dizzying melee intermediated by new technologies, and an enthusiastic class of retail traders with access to sophisticated trading

tools rubs elbows with institutional investors scouring social media for clues of where the market is heading.

All that trading, all those new products, all those types of traders, and all that innovation in infrastructure create endless opportunities for people like you who study markets for a living. The trading generates lots of market data, which I know you all love. You can compare products and look at changes over time. You can study whether entertainment trading markets serve as a gateway for retail investors into more traditional investing markets. You can observe interactions among different groups of market participants. The co-existence of similar products in different regulatory wrappers cries out to you for academic inquiry. You can study how integrating new technologies into traditional markets will influence market dynamics. With zero commissions, you can even afford to engage in large-scale trading of your own as part of your research. Modern markets offer a cornucopia for the academic crowd to feast upon.

But what is a regulator to make of these markets with their staggering trading volumes, complicated technologies accessible through simple-to-use interfaces, and ever-growing list of products — many of which look like they belong in the sports, entertainment, politics, or bizarre-story-of-the-day sections of the newspaper rather than in the dry financial pages?

Before drawing any conclusions or taking any actions, regulators need to understand what is happening in today's markets. To this end, the many conversations I and my colleagues have with market participants are essential. Conferences like this one and last month's options roundtable^[9] also give us important insights. I appreciate that this conference is addressing timely issues, such as after-hours trading, fund voting, where money is flowing and why, and investor-driven conflicts in ratings. I urge all of you to continue researching, and providing us your insights about, what is happening in the markets and why.

We also need to draw on expertise from outside the agency to determine whether a regulatory response is needed and, if so, what that response should be. Here too, interactions with the public and conferences like this one are helpful. I appreciate that during this conference you are considering issues such as SEC enforcement, crypto regulation, and the conflict between the goals of banking and securities regulation. These discussions are helpful to regulators like me as we think about whether and how to use our regulatory tools.

Bound as we appropriately are by statutory limits on our jurisdiction, the SEC may not be able to solve the problems you identify or adopt the solutions you recommend. The jurisdictional lines Congress set out in governing statutes determine whether and how regulators can react to new products or new technologies. No matter how egregious the facts, for example, the SEC cannot pursue fraud of any type without a cause of action grounded in the securities law. As another example, if a new ETF's sponsor adheres to the rules, gets its disclosures right, and finds an exchange to list it, the SEC cannot block the ETF from going to market.

Even when we have authority to act in response to new market developments, we should be careful because regulations often impose heavy and persistent costs. Complying with regulatory mandates eats up hours and dollars that could be devoted to other purposes, and even well-crafted regulations are frustratingly inflexible in the face of changing circumstances. Less often measured but even more important, regulations deprive people of choice. Regulations uniquely constrain human action by subjecting a person who does not comply to civil and potentially criminal consequences. Moreover, market participants, who face the consequences of their bad decisions, generally are better informed about the facts on the ground than a regulator, even a regulator who has consulted smart academics and powerful datasets.

The proper regulatory response, therefore, to the phenomena we are seeing in today's markets may be quite muted. Don't expect to see a flurry of prescriptive rulemakings. However, regulatory restraint grounded in the law coupled with a healthy dose of deference to the market is not a regulatory seal of approval of any particular product or activity. To the contrary, the fact that we do not screen products for merit means that people should read absolutely nothing about what the SEC or anyone who works here thinks about a product's usefulness or longevity from the fact that it has gone live on SEC-regulated markets. Likewise, the fact that we do not dictate what, whether, or how often retail investors can trade (except in private securities markets which are subject to the paternalistic accredited investor rules) does not mean the SEC blesses any particular trading or investment strategy.

Re-upping my disclaimer that I am not speaking for the rest of the Commission, I do *not* celebrate everything that is going on in the markets now. Financial products that fan a momentary hope of great riches in the same way lottery tickets do are dull and uninteresting to me. I expect that some of these novelties will fade away as investors lose interest, and their legal,

technological, and market infrastructure will be repurposed for more durable investment and risk management products.

The financial markets innovations that give me an adrenaline rush are those that help capital markets fulfill their core objective of serving investors, entrepreneurs, growing companies, the economy, and society at large. I love seeing new products and services that enable people to build resilient investment portfolios to provide security for them and their families. Another favorite is innovative products and services that make it easy and fun for retail investors to understand their investments and the associated expenses. I welcome market developments that facilitate the matching of people with great ideas and promising companies with investors — including people who come from different backgrounds, geographies, and social circles than the entrepreneurs. I champion innovations that enable investors to buy or sell when they want to with low transaction costs. These aspects of the capital markets drew me to this job and remain the ones that inspire me still to be here eight years later.

I suspect that a similar belief in the magnificent power of the capital markets to transform people's lives for the better motivates your academic work. I encourage you, in addition to studying particular facets of the market, to think bigger. Studying trading in a particular asset class or the effect of an existing regulation on a certain market practice is useful. But we all can get distracted by the latest shiny objects driving trading volumes. Sometimes, it helps to step back and rekindle our appreciation for the markets. The heavily quantitative analyses of modern economics are impressive, but old school economists like my father also asked the conceptual questions: how can we make sure the economy is empowering as many people as possible to make the greatest use of their talents in service of society and rewarding them for doing so? These questions go to the heart of the matter, and I invite you to join me in that inquiry.

Let me close with one more joke: How many financial economists does it take to screw in a lightbulb? None, because their work sheds a brilliant light of its own. May your lights shine brightly in today's coming discussions.

[1] See Iowa Electronic Markets, What is the IEM, <https://iemweb.biz.uiowa.edu/about-iem/what-is-the-iem/> [\(https://iemweb.biz.uiowa.edu/about-iem/what-is-the-iem/\)](https://iemweb.biz.uiowa.edu/about-iem/what-is-the-iem/), (last visited May 8, 2026).

[2] Commissioner Hester M. Peirce, We are Not the Securities and Environment Commission – At Least Not Yet (March 21, 2022), <https://www.sec.gov/newsroom/speeches-statements/peirce-climate-disclosure-20220321> [\(https://www.sec.gov/newsroom/speeches-statements/peirce-climate-disclosure-20220321\)](https://www.sec.gov/newsroom/speeches-statements/peirce-climate-disclosure-20220321), at note 37.

[3] Office of Information and Regulatory Affairs, Regulatory Actions Currently Under Review by Agency, <https://www.reginfo.gov/public/jsp/EO/eoDashboard.myjsp> [\(https://www.reginfo.gov/public/jsp/EO/eoDashboard.myjsp\)](https://www.reginfo.gov/public/jsp/EO/eoDashboard.myjsp) (last visited May 8, 2026).

[4] See Roundtable on Options Market Structure Supporting Data, <https://www.sec.gov/files/roundtable-options-market-structure.pdf> [\(https://www.sec.gov/files/roundtable-options-market-structure.pdf\)](https://www.sec.gov/files/roundtable-options-market-structure.pdf) at 3 (“Supporting Data”).

[5] See Jonathan Brogaard, Jaehee Han & Peter Y. Won, Does ODTE Options Trading Increase Volatility? (Apr. 26, 2023), https://papers.ssrn.com/sol3/Papers.cfm?abstract_id=4426358 [\(https://papers.ssrn.com/sol3/Papers.cfm?abstract_id=4426358\)](https://papers.ssrn.com/sol3/Papers.cfm?abstract_id=4426358).

[6] Supporting Data at 22-23.

[7] See Da Huang, Vasudha Nair, & Christopher Schwarz, Active ETFs as Attention Assets: Retail Trading Meets Managed Funds (Sep. 10, 2025), FEB-RN Research Paper No. 134/2025, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5426275 [\(https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5426275\)](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5426275) at 1.

[8] See, e.g., J.P. Morgan: Making Sense Podcast, How are Retail Investor Dynamics Shaping Equity Markets? (Apr. 29, 2026), <https://www.jpmorgan.com/insights/podcast-hub/making-sense/retail-investor-dynamics-shaping-equity-markets> [\(https://www.jpmorgan.com/insights/podcast-hub/making-sense/retail-investor-dynamics-shaping-equity-markets\)](https://www.jpmorgan.com/insights/podcast-hub/making-sense/retail-investor-dynamics-shaping-equity-markets) (“[O]ne constant throughout this year, and in fact, throughout the last five or six years, has been the presence of the retail investor still making up around 20% of volumes in U.S. markets and even greater shares of volumes in much of Asia.”).

[9] Options Market Structure Roundtable, <https://www.sec.gov/newsroom/meetings-events/options-market-structure->

roundtable (<https://www.sec.gov/newsroom/meetings-events/options-market-structure-roundtable>) (last visited May 8, 2026).

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