Speech

Prepared Remarks Before the Investor Advisory Committee

Chair Gary Gensler

Washington D.C.

Sept. 21, 2023

Good morning, thank you, Christopher. I am pleased to join the Investor Advisory Committee. As is customary, I'd like to note that my views are my own as Chair of the Securities and Exchange Commission, and I am not speaking on behalf of my fellow Commissioners or the SEC staff.

I understand today's agenda includes panels regarding exempt offerings, including discussions of Regulation D Rule 506, data on such offerings, and accredited investors. In addition, I understand you will be discussing Committee recommendations on human capital management disclosure and swing pricing for open-end funds.

Since the 1930s, investors and issuers have benefitted from the basic bargain that Congress embedded in the securities laws. Issuers can raise money from the public as long as they provide full, fair, and truthful disclosure to the investing public. Congress required that public offerings of securities be registered with the SEC and include specified disclosures to investors. Congress also recognized that there were certain transactions or issuers that would be exempt from such disclosure requirements, in essence, forming part of the private markets. Over the decades, we've seen continued development of robust public and private markets, and our economy has benefited from both.

Regulation D, first adopted in the early 1980s, has become one of the most important exemptions for companies looking to raise capital outside of registration. The accredited investor definition has always been a cornerstone of Reg D. The accredited investor definition has been revised multiple times since the early 1980s, most recently in 2020.Given the significant growth in private markets, it's helpful to hear from the Investor Advisory Committee about exempt offerings and related issues.

I also look forward to hearing the Committee's recommendations with regard to human capital disclosure by public companies. It has been nearly three years since the Commission under Chair Jay Clayton adopted new rules in this area. Staff has been evaluating how disclosures under those rules have been informing investors and possible recommendations for any enhancements, including considering the Committee's prior recommendations regarding the total dollars spent on the workforce as well as turnover.

Further, I understand you have some recommendations with regard to a proposal we made last year regarding open-end funds. By their design, open-end funds have a potential liquidity mismatch—between investors' ability to redeem daily on the one hand, and on the other, funds' securities holdings that may have lower liquidity.

Indeed, in 2008 and 2020, sparks emanated from registered funds, particularly money market and open-end bond funds, putting everyday Americans at risk.

At the onset of COVID-19, during the "dash for cash," there were calls for fire department support both for money market and open-end bond funds—in other words, Federal Reserve support.

The Federal Reserve bought corporate bond exchange-traded funds, amongst other actions, to alleviate stresses in the markets.

As these real-world events demonstrate, stress on these funds is not unsubstantiated hypothesis.

Reports from the President's Working Group[1]and Financial Stability Oversight Council[2]under several Treasury secretaries and presidents have written about them. The Financial Stability Board has written about them as well.[3]

In July, we adopted a rule to enhance money market funds' liquidity and investor protection.[4]

Taking into account public comment, the final money market fund rules, as adopted, require liquidity fees instead of the originally proposed swing pricing requirement.

We've also issued proposals regarding the liquidity, pricing, and plumbing of open-end funds.[5]

I look forward to your thoughts. Thank you.

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[1] *See* "President's Working Group on Financial Markets Releases Report on Money Market Funds" (Dec. 22, 2020), *available at* https://home.treasury.gov/news/press-releases/sm1219.

[2] *See* Gary Gensler, "Money Market Funds Statement" (June 11, 2021), *available at* https://www.sec.gov/news/public-statement/gensler-fsoc-money-market-funds-2021-06-11.

[3] *See* "FSB publishes final report with policy proposals to enhance money market fund resilience" (Oct. 11, 2021), *available at* https://www.fsb.org/2021/10/policy-proposals-to-enhance-money-market-fund-resilience-final-report/,

[4] *See* Securities and Exchange Commission, "SEC Adopts Money Market Fund Reforms and Amendments to Form PF Reporting Requirements for Large Liquidity Fund Advisers" (July 12, 2023), *available at* https://www.sec.gov/news/press-release/2023-129.

[5] *See* Securities and Exchange Commission, "SEC Proposes Enhancements to Open-End Fund Liquidity Framework" (Nov. 2, 2022), *available at* https://www.sec.gov/news/press-release/2022-199.