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## **Statement**

# **Expanding Investor Protection**



Commissioner  
Jaime  
Lizárraga  
bio  
photo

## [Commissioner Jaime Lizárraga](#)

July 26, 2023

Millions of retail investors invest in our capital markets in various ways, like brokerage accounts and individual retirement accounts. These investors increasingly rely on technology to interact with a financial professional, seek investment advice, or execute trades. In some of these interactions, investors are exposed to a range of online tools – chatbots, push notifications, as well as behavioral prompts.

But regardless of the speed or type of tool, one thing remains constant: the robust body of law that protects retail investors by requiring broker-dealers and investment advisers to address conflicts of interest, provide certain disclosures of fees and costs, and implement certain policies and procedures.

In fulfilling our investor protection mission, the threshold question is whether our current rules are protective enough of retail investors, in light of technology-driven change in our capital markets. Judging from the Commission’s extensive analysis of this question, the current framework needs to be modernized.

The Commission is therefore proposing reforms to modernize our rules and to strengthen protections for investors, in particular for working families who rely on our capital markets for their future financial well-being.

These rules would require firms to identify and address conflicts of interest that can arise when a firm’s use of technology places its interests, or those of its financial professionals, ahead of the investor’s.

The cumulative impact of unaddressed conflicts of interest falls on investors. Relying on both public feedback and on the findings of its own examinations and enforcement work, the Commission has concluded that technology has the potential to influence investing behavior in ways that can be designed to benefit firms at the expense of investors’ interests, which can raise critical investor protection issues. As a result, it is in the public interest to address them through the targeted reforms the Commission is proposing today.

These reforms are the product of extensive public input. In August 2021, the Commission issued a request for comment on digital engagement practices and received over 2,300 public comments from a range of interested parties, such as investor advocates, industry trade associations, academia, and Congress.

As part of this request, the Commission also sought feedback *directly* from retail investors through a “Feedback Flyer.” This flyer yielded critical information about the retail investor perspective on firms’ use of technology.

Based on their own experiences interacting with market technologies, these investors raised concerns and highlighted some risks that are being proactively and effectively addressed in the proposed reforms today.

My thanks to the staff in the Divisions of Investment Management and Trading and Markets for this thoughtful set of reforms. I also thank the investing public for participating in the comment process and for providing the helpful feedback that informed this proposal. I'm pleased to support it.

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