Testimony on "Wall Street Reform:
Assessing and Enhancing the Financial Regulatory System"
by
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Before the United States Senate Committee on Banking, Housing, and Urban Affairs

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Chairman Johnson, Ranking Member Crapo, and members of the Committee:

Thank you for inviting me to testify about the Securities and Exchange Commission's ("SEC" or "Commission") ongoing implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act" or "Act") to reduce systemic risks, enhance transparency and better protect investors, as well as other steps taken to improve financial stability, close regulatory gaps, and better coordinate with domestic and international regulators.[1]

The Dodd-Frank Act gave the SEC significant new responsibilities, requiring the agency to undertake the largest and most complex rulemaking agenda in its history. The Act includes some 90 provisions that require SEC rulemaking and more than 20 other provisions that require studies or reports. In addition, the Act and the financial crisis focused the SEC's efforts more directly on enhancing financial stability and the reduction of systemic risk.

The SEC has made substantial progress implementing this agenda, even as we have continued our core responsibilities of pursuing securities violations, reviewing public company disclosures and financial statements, inspecting the activities of regulated entities, and maintaining fair and efficient markets, including enhancements to our equity market structure.

Since I became SEC Chair in April of 2013, the Commission has focused on eight key areas addressed by the Dodd-Frank Act: credit rating agencies; asset-backed securities; municipal advisors; asset management, including regulation of private fund advisers; over-the-counter derivatives; clearance and settlement; proprietary activities by financial institutions; and executive compensation. In furtherance of those regulatory objectives, the Commission has, to date, implemented new restrictions on the proprietary activities of financial institutions through the Volcker Rule, created a wholly new regulatory framework for municipal advisors, and advanced significant new standards for the clearing agencies that stand at the center of our financial system. We also have finalized critical Dodd-Frank Act rules intended to strengthen the integrity of credit ratings, reducing conflicts of interest in ratings and improving their transparency. We have adopted significantly enhanced disclosures for asset-backed securitizations and completed structural and operational reforms to address risks of investor runs

[1] The views expressed in this testimony are those of the Chair of the Securities and Exchange Commission and do not necessarily represent the views of the full Commission.

in money market funds. We have pushed forward new rules for previously unregulated derivatives and begun implementing additional executive compensation disclosures. And we have put in place strong new controls on broker-dealers that hold customer assets, reduced reliance on credit ratings, and barred bad actors from private securities offerings. Since April 2013, the SEC has proposed or adopted nearly twenty significant Dodd-Frank Act rules, in addition to adopting structural reforms for money market funds, which were highlighted as a systemic vulnerability in the financial crisis. Attached as Appendix A is a detailed summary of the agency's required Dodd-Frank Act rulemaking, which reflects that the Commission has proposed or adopted rules with respect to approximately 90% of all of the provisions of the Dodd-Frank Act that mandate Commission rulemaking.

We have worked closely with our fellow financial regulators to ensure that our financial regulatory system works together to protect against risks, both by promoting financial stability and supporting a sensible and integrated financial regulatory framework that works effectively for market participants. The Financial Stability Oversight Council ("FSOC") established by the Dodd-Frank Act, in which I participate as a member, also serves an important role in this effort.

While the SEC has made significant progress, more remains to be done on both our Dodd-Frank Act and Jumpstart Our Business Startups ("JOBS") Act rulemakings, and we must continue our work with intensity. As we do so, we must be deliberate as we consider and prioritize our remaining mandates and deploy our broadened regulatory authority, supported by robust economic analysis. Progress will ultimately be measured based on whether we have implemented rules that create a strong and effective regulatory framework and stand the test of time under intense scrutiny in rapidly changing financial markets. Our responsibility is much greater than simply "checking the box" and declaring the job done. We must be focused on fundamental and lasting reform.

As requested by the Committee, my testimony today will provide an overview of the Commission's Dodd-Frank Act implementation and discuss those rules that are yet to be completed.

Credit Ratings

The Dodd-Frank Act requires the Commission to undertake a number of rulemakings related to nationally recognized statistical rating organizations ("NRSROs"). The Commission began the process of implementing these mandates with the adoption of a rule in January 2011[2] requiring NRSROs to provide a description of the representations, warranties, and enforcement mechanisms available to investors in an offering of asset-backed securities, including how they

[2] *See* Release No. 33-9175, *Disclosure for Asset-Backed Securities Required by Section 943 of the Dodd-Frank Wall Street Reform and Consumer Protection Act* (January 20, 2011), http://www.sec.gov/rules/final/2011/33-9175.pdf. In addition, pursuant to Section 939B of the Act, the Commission issued an amendment to Regulation FD to remove the specific exemption from the rule for disclosures made to NRSROs and credit rating agencies for the purpose of determining or monitoring credit ratings. *See* Release No. 33-9146, *Removal from Regulation FD of the Exemption for Credit Rating Agencies* (September 29, 2010), http://www.sec.gov/rules/final/2010/33-9146.pdf.

differ from those of similar offerings. Last month, the Commission completed its required rulemaking for NRSROs by adopting rules requiring NRSROs to, among other things: (1) report on internal controls; (2) protect against potential conflicts of interest; (3) establish professional standards for credit analysts; (4) publicly provide – along with the publication of a credit rating – disclosure about the credit rating and the methodology used to determine it; and (5) enhance their public disclosures about the performance of their credit ratings.[3] These rules create an extensive framework of robust reforms and will significantly strengthen the governance of NRSROs. The reforms will also significantly enhance the transparency of NRSRO activities and thereby promote greater scrutiny and accountability of NRSROs. Together, this package of reforms should improve the overall quality of NRSRO credit ratings and protect against the re-emergence of practices that contributed to the recent financial crisis.

The Dodd-Frank Act also mandated three studies relating to credit rating agencies: (1) a study on the feasibility and desirability of standardizing credit rating terminology, which was published in September 2012;[4] (2) a study on alternative compensation models for rating structured finance products, which was published in December 2012;[5] and (3) a study on NRSRO independence, which was published in November 2013.[6] In response to the study on alternative compensation models for rating structured finance products, the Commission held a public roundtable in May 2013 to invite discussion regarding, among other things, the courses of action discussed in the report. The staff has considered the various viewpoints presented during discussion at the roundtable, as well as in the related public comment letters, and is discussing potential approaches with the Commission.

As required by the Dodd-Frank Act, the Commission established an Office of Credit Ratings ("OCR") charged with administering the rules of the Commission with respect to NRSROs, promoting accuracy in credit ratings issued by NRSROs, and helping to ensure that credit ratings are not unduly influenced by conflicts of interest and that NRSROs provide greater disclosure to investors. As required by the Dodd-Frank Act, OCR conducts examinations of each NRSRO at least annually and the Commission makes available to the public an annual report summarizing the essential exam findings. The third annual report of the staff's examinations was published in December 2013.[7]

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[3] *See* Release No. 34-72936, *Nationally Recognized Statistical Rating Organizations* (August 27, 2014), http://www.sec.gov/rules/final/2014/34-72936.pdf.

[4] *Credit Rating Standardization Study* (September 2012), http://www.sec.gov/news/studies/2012/939h_credit_rating_standardization.pdf.

[5] *Report to Congress on Assigned Credit Ratings* (December 2012), http://www.sec.gov/news/studies/2012/assigned-credit-ratings-study.pdf.

[6] *Report to Congress on Credit Rating Agency Independence Study* (November 2013), http://www.sec.gov/news/studies/2013/credit-rating-agency-independence-study-2013.pdf.

[7] *2013 Summary Report of Commission Staff's Examinations of Each Nationally Recognized Statistical Rating Organization* (December 2013), http://www.sec.gov/news/studies/2013/nrsro-summary-report-2013.pdf.

The Dodd-Frank Act also requires the SEC, to the extent applicable, to review its regulations that require use of credit ratings as an assessment of the credit-worthiness of a security, remove these references, and replace them with appropriate standards of credit-worthiness. The Commission has adopted final amendments that remove references to credit ratings from most of its rules and forms that contained such references, including rules adopted in December 2013 removing references to credit ratings in certain provisions applicable to investment companies and broker-dealers,[8] and in August 2014 new requirements to replace the credit rating references in shelf eligibility criteria for asset-backed security offerings with new shelf eligibility criteria.[9]

Asset-Backed Securities

The Commission has completed implementing several significant provisions of the Dodd-Frank Act related to asset-backed securities ("ABS"), and I have focused the staff and Commission on finalizing the remaining mandates. Within a year of the enactment of the Act, the Commission adopted rules to implement Sections 943 and 945 of the Act. The rules implementing Section 943 require ABS issuers to disclose the history of repurchase requests received and repurchases made relating to their outstanding ABS.[10] The rules implementing Section 945 require an asset-backed issuer in offerings registered under the Securities Act of 1933 ("Securities Act") to perform a review of the assets underlying the ABS that must be designed and effected to provide reasonable assurance that the prospectus disclosure about the assets is accurate in all material respects and disclose the nature of such review.[11] Shortly after the one-year anniversary of the Act, the Commission adopted rules in connection with Section 942(a) of the Act, which eliminated the automatic suspension of the duty to file reports under

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[8] *See* Release No. 34-60789, *References to Ratings of Nationally Recognized Statistical Rating Organizations*, (October 5, 2009) (pre Dodd-Frank Act adopting amendments to remove references to credit ratings in certain Commission rules) http://www.sec.gov/rules/final/2009/34-60789.pdf; Release No. 33-9245, *Security Ratings*, (July 27, 2011) (post Dodd-Frank Act adopting amendments to remove references to credit ratings in certain Commission rules) http://www.sec.gov/rules/final/2011/33-9245.pdf; Release No. 33-9506, *Removal of Certain References to Credit Ratings Under the Investment Company Act*, (December 27, 2013) (post Dodd-Frank Act adopting amendments to remove references to credit ratings in certain Commission rules), http://www.sec.gov/rules/final/2013/33-9506.pdf; Release No. 34-71194, *Removal of Certain References to Credit Ratings Under the Securities Exchange Act of 1934*, (December 27, 2013) (post Dodd-Frank Act adopting amendments to remove references to credit ratings in certain Commission rules), http://www.sec.gov/rules/final/2013/34-71194.pdf.

[9] *See* Release No. 34-72936, *Nationally Recognized Statistical Rating Organizations* (August 27, 2014), http://www.sec.gov/rules/final/2014/34-72936.pdf.

[10] *See* Release No. 33-9175, *Disclosure for Asset-Backed Securities Required by Section 943 of the Dodd-Frank Wall Street Reform and Consumer Protection Act* (January 20, 2011), http://www.sec.gov/rules/final/2011/33-9175.pdf.

[11] *See* Release No. 33-9176, *Issuer Review of Assets in Offerings of Asset-Backed Securities* (January 20, 2011), http://www.sec.gov/rules/final/2011/33-9176.pdf.

Section 15(d) of the Exchange Act for ABS issuers and granted the Commission authority to issue rules providing for the suspension or termination of this duty to file reports.[12]

Just last month, the Commission adopted expansive new requirements for enhanced disclosures for ABS, including requiring standardized asset-level data for certain asset classes.[13] For those asset classes, the new requirements implement Section 942(b) of the Act, which directed the Commission to adopt regulations to require asset-level information to the extent necessary for investors to independently perform due diligence. The final rules require that prospectuses and ongoing reports of securities backed by assets related to real estate or automobiles, or backed by debt securities, contain detailed asset-level information about each of the assets in the pool. The Commission continues to consider whether asset-level disclosure would be useful to investors across other asset classes. The rules also provide investors with more time to consider transaction-specific information, including information about the pool assets. These measures should better protect investors in these markets by providing important data and other information that will allow investors to conduct diligence on asset-backed securities that is independent of a credit rating agency. Although not mandated by the Dodd-Frank Act, the staff continues to monitor the private placement securitization markets to determine whether they should recommend advancing similar measures for those markets.

In addition, the Commission is working with other federal regulators to jointly develop risk retention rules, as required by Section 941 of the Act. These rules will address the appropriate amount, form, and duration of required risk retention for securitizers of ABS. In March 2011, the Commission joined its fellow regulators in proposing rules to implement Section 941[14] and, after careful consideration of the many comments received, in August 2013 re-proposed these rules with several significant modifications.[15] Together with the other agencies, we have made significant progress toward developing a final rule and we are nearing the final stages of that rulemaking.

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[12] *See* Release No. 34-65148, *Suspension of the Duty to File Reports for Classes of Asset-Backed Securities under Section 15(d) of the Securities Exchange Act of 1934* (August 17, 2011), http://www.sec.gov/rules/final/2011/34-65148.pdf.

[13] *See* Release No. 33-9638, *Asset-Backed Securities Disclosure and Registration* (August 27, 2014), http://www.sec.gov/rules/final/2014/33-9638.pdf .

[14] *See* Release No. 34-64148, *Credit Risk Retention* (March 30, 2011), http://www.sec.gov/rules/proposed/2011/34-64148.pdf. Section 941 of the Act generally requires the Commission, the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency and, in the case of the securitization of any "residential mortgage asset," the Federal Housing Finance Agency and Department of Housing and Urban Development, to jointly prescribe regulations that require a securitizer to retain not less than five percent of the credit risk of any asset that the securitizer, through the issuance of an ABS, transfers, sells, or conveys to a third party. It also provides that the jointly prescribed regulations must prohibit a securitizer from directly or indirectly hedging or otherwise transferring the credit risk that the securitizer is required to retain. *See* 15 U.S.C. §78o-11(c)(1)(A).

[15] *See* Release No. 33-34-70277, *Credit Risk Retention* (August 28, 2013), http://www.sec.gov/rules/proposed/2013/34-70277.pdf.

In September 2011, the Commission proposed a rule to implement Section 621 of the Act, which prohibits entities that create and distribute ABS from engaging in transactions that involve or result in material conflicts of interest with respect to the investors in such ABS.[16] The proposed rule would prohibit underwriters and other "securitization participants" from engaging in such transactions with respect to both non-synthetic and synthetic asset-backed securities, whether in a registered or unregistered offering. The proposal is not intended to prohibit legitimate securitization activities, and the Commission asked questions in the release to help strike an appropriate balance. The proposal generated substantial comment that included requests for significant alterations to the proposed rule, which the staff is carefully considering in preparing its recommendation for consideration by the Commission.

Municipal Securities

The Dodd-Frank Act imposed a new requirement that "municipal advisors" register with the SEC. This registration requirement applies to persons who provide advice to municipal entities or obligated persons on municipal financial products or the issuance of municipal securities, or who solicit municipal entities or obligated persons.[17] In September 2013, the Commission adopted final rules for municipal advisor registration.[18] The new registration requirements and regulatory standards aim to address problems observed with the conduct of some municipal advisors, including failure to place the duty of loyalty to their municipal entity client ahead of their own interests, undisclosed conflicts of interest, advice rendered by financial advisors without adequate training or qualifications, and "pay to play" practices.

Municipal advisors were required to comply with the final rules as of July 1, 2014,[19] and to register with the SEC using the final registration forms during a four-month phased-in compliance period, which began on July 1, 2014.[20] Except for certain personally identifiable

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[16] *See* Release No. 34-65355, *Prohibition against Conflicts of Interest in Certain Securitizations* (September 19, 2011), http://www.sec.gov/rules/proposed/2011/34-65355.pdf.

[17] In September 2010, the Commission adopted, and subsequently extended, an interim final rule establishing a temporary means for municipal advisors to satisfy the registration requirement. *See* Release No. 34-62824, *Temporary Registration of Municipal Advisors*, (September 1, 2010), http://www.sec.gov/rules/interim/2010/34-62824.pdf. The Commission received over 1,200 confirmed registrations of municipal advisors pursuant to this temporary rule.

[18] *See* Registration of Municipal Advisors, Release No. 34-70462 (September 20, 2013), http://www.sec.gov/rules/final/2013/34-70462.pdf. *See also* Registration of Municipal Advisors Frequently Asked Questions (issued on January 10, 2014 and last updated on May 19, 2014), http://www.sec.gov/info/municipal/mun-advisors-faqs.pdf. The staff in the Office of Municipal Securities provided this interpretive guidance to address certain questions that arose from municipal market participants relating to the implementation of the final rules.

[19] *See* Release No. 34-71288, *Registration of Municipal Advisors; Temporary Stay of Final Rule*, (January 13, 2014), http://www.sec.gov/rules/final/2014/34-71288.pdf.

[20] The final rules require municipal advisors to register with the SEC by completing a Form MA and to provide information regarding natural persons associated with the municipal advisor and engaged in municipal advisory activities on such municipal advisor's behalf by completing a Form MA-I for each such natural person.

information, the SEC municipal advisor registration information is available to the public through the SEC's Electronic Data Gathering, Analysis, and Retrieval ("EDGAR") system website.[21]

In addition, Commission staff in August of this year launched an examination initiative to conduct focused, risk-based examinations of municipal advisors.[22] These examinations will be specifically focused and shorter in duration than typical examinations. The initiative is designed both to provide targeted outreach to inform new municipal advisor registrants of their obligations as registered entities and to permit the Commission to examine a significant percentage of new municipal advisor registrants. Additionally, Commission staff will oversee the Financial Industry Regulatory Authority ("FINRA") staff in its examinations of municipal advisors that are also FINRA members.

The Dodd-Frank Act also required the Commission to establish an Office of Municipal Securities ("OMS"), reporting directly to the Chair, to administer the rules pertaining to broker-dealers, municipal advisors, investors and issuers of municipal securities, and to coordinate with the Municipal Securities Rulemaking Board ("MSRB") on rulemaking and enforcement actions.[23] During its first two years of operations, OMS devoted its attention primarily to finalizing and implementing the municipal advisor registration rules, including providing interpretive guidance to market participants and participating in the review of municipal advisor registrations. Over the next year, OMS expects to continue to devote significant attention to implementing these final rules, to review a considerable number of rule filings by the MSRB related to municipal advisor regulation, and to coordinate with SEC examination staff in their examinations of municipal advisors. In addition, OMS also continues to monitor current issues in the municipal securities market (such as pension disclosure, accounting, and municipal bankruptcy issues) and to assist in considering further recommendations to the Commision with respect to disclosure, market structure, and price transparency in the municipal securities markets.[24]

Private Fund Adviser Registration and Reporting

Title IV of the Dodd-Frank Act directed the Commission to implement a number of provisions designed to enhance the oversight of private fund advisers, including registration of advisers to hedge funds and other private funds that were previously exempt from SEC

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[21] To search by a municipal advisor company's name, s*ee* http://www.sec.gov/edgar/searchedgar/companysearch.html.

[22] *See* "Industry Letter for the Municipal Advisor Examination Initiative" (August 19, 2014), *available at*: http://www.sec.gov/about/offices/ocie/muni-advisor-letter-081914.pdf.

[23] *See* Section 979 of the Dodd-Frank Act.

[24] *See* recommendations in the Commission's Report on the Municipal Securities Market (July 31, 2012), http://www.sec.gov/news/studies/2012/munireport073112.pdf.

registration. These provisions enable regulators to have a more comprehensive view of private funds and the investment advisers managing those assets.

The SEC's implementation of required rulemaking under Title IV is complete. In June 2011, the Commission adopted rules requiring advisers to hedge funds and other private funds to register by March 2012, addressing what had once been a sizable gap in regulators' ability to monitor for systemic risk and potential misconduct.[25] As a result of the Dodd-Frank Act and the SEC's new rules, the number of SEC-registered private fund advisers has increased by more than 50% to 4,322 advisers. Even after accounting for the shift of mid-sized advisers to state registration pursuant to the Dodd-Frank Act,[26] the total amount of assets managed by SEC-registered advisers has increased significantly from $43.8 trillion in April 2011 to $62.3 trillion in August 2014, while the total number of SEC-registered advisers has remained relatively unchanged from 11,505 to 11,405.

For private fund advisers required to be registered with the Commission, pursuant to the Dodd-Frank Act the Commission adopted confidential systemic risk reporting requirements on Form PF in October 2011 to assist the FSOC in systemic risk oversight.[27] As required by the Act, Form PF was designed in consultation with FSOC, and the data filed on Form PF has been made available to the Office of Financial Research within the Department of the Treasury.

To date, approximately 2,700 investment advisers have filed Form PF reporting information on approximately 8,000 hedge funds, 70 liquidity funds, and 7,000 private equity funds. During the past year, the Commission's staff has focused its efforts on utilizing Form PF data in examinations and investigations of private fund advisers, using Form PF data in the Commission's risk monitoring activities, providing additional guidance to filers, and working with other federal regulators and international organizations regarding issues relating to private fund advisers. As required by the Dodd-Frank Act, Commission staff transmitted an annual report to Congress this past August on these uses.[28]

During the past two years, Commission staff reviewed the Advisers Act and its rules and provided guidance regarding their application to private fund advisers, including guidance to clarify: the application of the custody rule when advisers to audited private funds utilize special purpose vehicles;[29] how the custody rule applies to escrows utilized by private fund advisers

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[25] *See* Release No. IA-3221, *Rules Implementing Amendments to the Investment Advisers Act of 1940* (June 22, 2011), http://www.sec.gov/rules/final/2011/ia-3221.pdf.

[26] *Id.*

[27] *See* Release No. IA-3308, *Reporting by Investment Advisers to Private Funds and Certain Commodity Pool Operators and Commodity Trading Advisors on Form PF; Joint Final Rule* (October 21, 2011), http://www.sec.gov/rules/final/2011/ia-3308.pdf.

[28] *See Annual Staff Report Regarding the Use of Data Collected from Private Fund Systemic Risk Reports* (August 15, 2014), http://www.sec.gov/reportspubs/special-studies/im-private-fund-annual-report-081514.pdf.

[29] *See* IM Guidance Update 2014-08, *Private Funds and the Application of the Custody Rule to Special Purpose Vehicles and Escrows* (June 2014), http://www.sec.gov/investment/im-guidance-2014-07.pdf.

upon the sale of a portfolio company;[30] when an adviser to an audited private fund may itself maintain custody of private stock certificates instead of holding them at a third-party custodian;[31] the definition of "knowledgeable employees" for purposes of the Investment Company Act;[32] when certain private fund investors are "qualified clients" under the Advisers Act;[33] and the application of the venture capital exemption in certain common scenarios.[34]

In addition, I anticipate that in October 2014, Commission staff will conclude a two-year initiative to conduct focused, risk-based exams of newly registered private fund advisers. These "presence" examinations have been shorter in duration and more streamlined than typical examinations, and have been designed both to engage with the new registrants to inform them of their obligations as registered entities and to permit the Commission to examine a higher percentage of new registrants. The initiative has included outreach, as well as examinations that have focused on five critical areas: (1) marketing; (2) portfolio management; (3) conflicts of interest; (4) safety of client assets; and (5) valuation. As of early September 2014, staff had completed approximately 340 examinations of newly registered private fund advisers, and over 40 additional examinations are underway.

Over-the-Counter Derivatives

The Dodd-Frank Act established a new oversight regime for the over-the-counter derivatives marketplace. Title VII of the Act requires the Commission to regulate "security-based swaps" and to write rules that address, among other things: mandatory clearing and the end-user exemption; trade reporting and trade execution; the operation of clearing agencies, trade data repositories, and trade execution facilities; capital, margin, and segregation requirements and business conduct standards for dealers and major market participants; and public transparency for transactional information. Such rules are intended to achieve a number of goals, including:

- Facilitating the centralized clearing of security-based swaps, whenever possible and appropriate, with the intent of reducing counterparty and systemic risk;

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[30] *Id*.

[31] *See* IM Guidance Update 2013-04, *Privately Offered Securities under the Investment Advisers Act Custody Rule* (August 2013), http://www.sec.gov/divisions/investment/guidance/im-guidance-2013-04.pdf.

[32] *See* SEC No-Action Letter, *Managed Funds Association* (February 6, 2014), http://www.sec.gov/divisions/investment/noaction/2014/managed-funds-association-020614.htm.

[33] *See* IM Guidance Update 2013-10, *Status of Certain Private Fund Investors as Qualified Clients* (November 2013), http://www.sec.gov/divisions/investment/guidance/im-guidance-2013-10.pdf.

[34] *See* IM Guidance Update, *Guidance on the Exemption for Advisers to Venture Capital Funds* (December 2013), http://www.sec.gov/divisions/investment/guidance/im-guidance-2013-13.pdf.

- Increasing transparency for market participants and regulators in their efforts to monitor the market and, as appropriate, address risks to financial stability;

- Increasing security-based swap transaction disclosure;

- Reducing counterparty and systemic risk through capital, margin and segregation requirements for non-bank dealers and major market participants; and

- Addressing potential conflict of interest issues relating to security-based swaps.

Since I testified before this Committee last February, the Commission has proposed rules relating to books and records[35] and proposed rules to enhance the oversight of clearing agencies deemed to be systemically important or that are involved in complex transactions, such as security-based swaps.[36] With these steps, the Commission has now proposed all the core rules required by Title VII of the Dodd-Frank Act.

Most recently, in June of this year, the Commission adopted the critical, initial set of cross-border rules and guidance, focusing on the swap dealer and major swap participant definitions.[37] The rules and guidance explain when a cross-border transaction must be counted toward the requirement to register as a security-based swap dealer or major security-based swap participant. The rules also address the scope of the SEC's cross-border anti-fraud authority. In addition, the Commission adopted a procedural rule regarding the submission of "substituted compliance" requests. This rule represents a major step in the Commission's efforts to establish a framework to address circumstances in which market participants may be subject to more than one set of comparable regulations across different jurisdictions.

These rules and guidance focus on a central aspect of the Commission's May 2013 comprehensive proposal regarding the application of Title VII to cross-border security-based swap transactions.[38] The cross-border application of other substantive requirements of Title VII will be addressed in subsequent releases, resulting in final rules in a particular substantive area that apply to the full range of security-based swap transactions, not just purely domestic ones. I believe that this integrated approach will reduce undue costs and provide a more orderly implementation process for both regulators and market participants. In addition, the Commission

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[35] *See* Recordkeeping and Reporting Requirements for Security-Based Swap Dealers, Major Security-Based Swap Participants, and Broker-Dealers; Capital Rule for Certain Security-Based Swap Dealers, Release No. 34-71958 (April 17, 2014), http://www.sec.gov/rules/proposed/2014/34-71958.pdf .

[36] *See* Standards for Covered Clearing Agencies, Release No. 34-71699 (March 12, 2014), http://www.sec.gov/rules/proposed/2014/34-71699.pdf.

[37] *See* Release No. 34-72474, *Application of "Security-Based Swap Dealer" and "Major Security-Based Swap Participant" Definitions to Cross-Border Security-Based Swap Activities* (June 25, 2014), http://www.sec.gov/rules/final/2014/34-72472.pdf.

[38] *See* Release No. 34-69490, *Cross-Border Security-Based Swap Activities; Re-Proposal of Regulation SBSR and Certain Rules and Forms Relating to the Registration of Security-Based Swap Dealers and Major Security-Based Swap Participants* (May 1, 2013), http://sec.gov/rules/proposed/2012/34-68071.pdf.

previously adopted a number of key definitional and procedural rules, provided a "roadmap" for the further implementation of its Title VII rulemaking, and took other actions to provide legal certainty to market participants during the implementation process.

Commission staff also continues to work intensively on recommendations for final rules required by Title VII that have been proposed but not yet adopted. These final rules will address regulatory reporting and post-trade public transparency;[39] security-based swap dealer and major security-based swap participant requirements, including business conduct and financial responsibility requirements;[40] mandatory clearing, the end-user exemption and trade execution, and the regulation of clearing agencies and security-based swap execution facilities;[41] and enforcement and market integrity, including swap-specific anti-fraud measures.[42] In addition, I expect that the Commission will soon consider the application of mandatory clearing requirements to single-name credit default swaps, starting with those that were first cleared prior to the enactment of the Dodd-Frank Act.

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[39] *See* Release No. 34-63346, *Regulation SBSR—Reporting and Dissemination of Security-Based Swap Information* (November 19, 2010), http://www.sec.gov/rules/proposed/2010/34-63346.pdf; and Release No. 34-63347, *Security-Based Swap Data Repository Registration, Duties, and Core Principles* (November 19, 2010), http://www.sec.gov/rules/proposed/2010/34-63347.pdf. In 2013, the Commission re-proposed Regulation SBSR. *See* Release No. 34-69490, *Cross-Border Security-Based Swap Activities; Re-Proposal of Regulation SBSR and Certain Rules and Forms Relating to the Registration of Security-Based Swap Dealers and Major Security-Based Swap Participants* (May 1, 2013), http://www.sec.gov/rules/proposed/2013/34-69490.pdf; and Release No. 34-69491.

[40] *See* Release No. 34-65543, *Registration of Security-Based Swap Dealers and Major Security-Based Swap Participants* (October 12, 2011), http://www.sec.gov/rules/proposed/2011/34-65543.pdf; Release No. 34-68071, *Capital, Margin, and Segregation Requirements for Security-Based Swap Dealers and Major Security-Based Swap Participants and Capital Requirements for Broker-Dealers* (October 18, 2012), http://www.sec.gov/rules/proposed/2012/34-68071.pdf; Release No. 34-64766, *Business Conduct Standards for Security-Based Swaps Dealers and Major Security-Based Swap Participants* (June 29, 2011), http://www.sec.gov/rules/proposed/2011/34-64766.pdf; and Release No. 34-63727, *Trade Acknowledgment and Verification on Security-Based Swap Transactions* (January 14, 2011), http://www.sec.gov/rules/proposed/2011/34-63727.pdf.

[41] *See* Release No. 34-63556, *End-User Exception of Mandatory Clearing of Security-Based Swaps* (December 15, 2010), http://www.sec.gov/rules/proposed/2010/34-63556.pdf; Release No. 34-63107, *Ownership Limitations and Governance Requirements for Security-Based Swap Clearing Agencies, Security-Based Swap Execution Facilities, and National Securities Exchanges with Respect to Security-Based Swaps under Regulation MC* (October 14, 2010), http://www.sec.gov/rules/proposed/2010/34-63107.pdf; and *Registration and Regulation of Security-Based Swap Execution Facilities* (February 2, 2011), http://www.sec.gov/rules/proposed/2011/34-63825.pdf.

In March 2012, the Commission adopted rules providing exemptions under the Securities Act of 1933, the Securities Exchange Act of 1934, and the Trust Indenture Act of 1939 for security-based swaps transactions involving certain clearing agencies satisfying certain conditions. *See* Release No. 33-9308, *Exemptions for Security-Based Swaps Issued by Certain Clearing Agencies* (March 30, 2012), http://www.sec.gov/rules/final/2012/33-9308.pdf.

[42] *See* Release No. 34-63236, *Prohibition against Fraud, Manipulation, and Deception in Connection with Security-Based Swaps* (November 3, 2010), http://www.sec.gov/rules/proposed/2010/34-63236.pdf.

Clearing Agencies

Title VIII of the Dodd-Frank Act provides for increased regulation of financial market utilities[43] ("FMUs") and financial institutions that engage in payment, clearing, and settlement activities designated as systemically important. The purpose of Title VIII is to mitigate systemic risk in the financial system and promote financial stability. In addition, Title VII of the Dodd-Frank Act requires, among other things, that an entity acting as a clearing agency with respect to security-based swaps register with the Commission and that the Commission adopt rules with respect to clearing agencies that clear security-based swaps.

Registration of Security-Based Swap Clearing Agencies

There are now three clearing agencies registered with the Commission to clear security-based swaps, and Commission staff maintains regular channels of communication with those clearing agencies regarding their operations. In 2013, the Commission also amended its established rule filing procedures to accommodate the special circumstances of clearing agencies registered with both the Commission and the Commodity Futures Trading Commission ("CFTC") to help ensure that the new regulatory regime for security-based swaps operates as intended and without undue burdens on dually registered security-based swap clearing agencies.[44]

Clearing Agency Standards

To further the objectives of Title VIII and promote the integrity of clearing agency operations and governance, the Commission adopted rules in October 2012 requiring all registered clearing agencies to maintain certain standards with respect to risk management and certain operational matters.[45] The rules also contain specific requirements for clearing agencies that perform central counterparty services, such as provisions governing credit exposures and the financial resources of the clearing agency, and establish recordkeeping and financial disclosure requirements for all registered clearing agencies.

In March of this year, the Commission proposed a series of additional clearing agency standards.[46] The proposed rules would establish a new category of "covered clearing agency"

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[43] Section 803(6) of the Dodd-Frank Act defines a financial market utility as "any person that manages or operates a multilateral system for the purpose of transferring, clearing, or settling payments, securities, or other financial transactions among financial institutions or between financial institutions and the person."

[44] *See* Release No. 34-69284, *Amendment to Rule Filing Requirements for Dually-Registered Clearing Agencies* (April 3, 2013), http://www.sec.gov/rules/final/2014/34-69284.pdf.

[45] *See* Release No. 34-68080, *Clearing Agency Standards* (October 22, 2012), http://www.sec.gov/rules/final/2012/34-68080.pdf.

[46] *See* Release No. 34-71699, *Standards for Covered Clearing Agencies* (March 12, 2014), http://www.sec.gov/rules/proposed/2014/34-71699.pdf.

subject to enhanced standards. The comment period on the proposal closed in May 2014, and Commission staff is preparing a recommendation to the Commission for final rules.

The proposed rules benefited from consultations between the Commission staff and staffs of the CFTC and the Board of Governors of the Federal Reserve System (the "Board"), and are designed to further strengthen the Commission's oversight of securities clearing agencies and promote consistency in the regulation of clearing organizations generally, thereby helping to ensure that clearing agency regulation reduces systemic risk in the financial markets.

Systemically Important Clearing Agencies

Under Title VIII, FSOC is authorized to designate an FMU as systemically important if the failure or a disruption to the functioning of the FMU could create or increase the risk of significant liquidity or credit problems spreading among financial institutions or markets and thereby threaten the stability of the U.S. financial system. SEC staff participates in the interagency committee established by FSOC to develop a framework for the designation of systemically important FMUs. In July 2012, FSOC designated six clearing agencies registered with the Commission as systemically important FMUs under Title VIII.[47]

Title VIII also provides a framework for an enhanced supervisory regime for designated FMUs, including oversight in consultation with the Board and FSOC. The Commission is expected to consider regulations containing risk management standards for the designated FMUs it supervises, taking into consideration relevant international standards and existing prudential requirements for such FMUs.[48] The Commission also is required to examine such FMUs annually, and to consider certain advance notices identifying changes to its rules, procedures, or operations that could materially affect the nature or level of risks presented by the FMU in consultation with the Board.[49]

In June 2012, the Commission adopted rules that establish procedures for how it will address advance notices of significant rule filings from the FMUs,[50] and it has since considered a

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[47] Clearing agencies that have been designated systemically important are Chicago Mercantile Exchange, Inc., The Depository Trust Company, Fixed Income Clearing Corporation, ICE Clear Credit LLC, National Securities Clearing Corporation, and The Options Clearing Corporation.

[48] *See* Section 805(a)(2) of the Dodd-Frank Act. Commission staff also worked jointly with the staffs of the CFTC and the Board to submit a report required under the Dodd-Frank Act to Congress in July 2011 discussing recommendations regarding risk management supervision of clearing entities that are DFMUs. *See also* Risk Management Supervision of Designated Clearing Entities, Report by the Commission, Board and CFTC to the Senate Committees on Banking, Housing, and Urban Affairs and Agriculture pursuant to Section 813 of Title VIII of the Dodd-Frank Act (July 2011), http://www.sec.gov/news/studies/2011/813study.pdf.

[49] *See* Section 806(e)(4) of the Dodd-Frank Act.

[50] *See* Release No. 34-67286, *Process for Submissions for Review of Security-Based Swaps for Mandatory Clearing and Notice Filing Requirements for Clearing Agencies; Technical Amendments to Rule 19b-4 and Form 19b-4 Applicable to All Self-Regulatory Organizations* (June 28, 2012), http://www.sec.gov/rules/final/2012/34-67286.pdf.

significant number of such notices.[51] Commission staff also has completed the second series of annual examinations of the designated FMUs for which it acts as supervisory agency and recently initiated the third series of annual examinations.

Volcker Rule

On December 10, 2013, the Commission joined the Board, the Federal Deposit Insurance Corporation ("FDIC"), the Office of the Comptroller of the Currency ("OCC") (collectively, the "Federal banking agencies"), and the CFTC in adopting the same rule under the Bank Holding Company Act to implement Section 619 of the Dodd-Frank Act, known as the "Volcker Rule."[52] Consistent with Section 619, the final rule generally restricts "banking entities" – including bank-affiliated, SEC-registered broker-dealers, security-based swap dealers, and investment advisers – from engaging in proprietary trading, sponsoring hedge funds and private equity funds, or investing in such funds.

As with any regulatory initiative of this scope and complexity, the final rule demands close attention to the nature and pace of implementation, particularly with respect to smaller banking entities. The Dodd-Frank Act provides a period for banking entities to bring their activities and investments into conformance with Section 619 that is scheduled to end on July 21, 2015. During the conformance period, the largest trading firms must begin to record and report certain quantitative measurements. The first of these data submissions were received on September 2. Staged implementation of metrics reporting and enhanced compliance standards will continue after the end of the conformance period based on size and activity thresholds. Among other benefits, this incremental approach will allow the agencies to review the data collection and revise or tailor its application, as appropriate.

Currently, the regulatory agencies and banking entities are closely focused on implementation of the final rule. The collaborative relationships among the agencies that developed during the rulemaking process are carrying forward and are supporting closely coordinated staff guidance and action. The interagency working group meets regularly to discuss implementation issues including, among other things, coordinated responses to interpretive questions, technical issues related to the collection of metrics data, and approaches to supervising

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[51] Advance notices are published on the Commission website at http://www.sec.gov/rules/sro.shtml.

[52] *See* Release No. BHCA-1, *Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships With, Hedge Funds and Private Equity Funds* (December 10, 2013), http://www.sec.gov/rules/final/2013/bhca-1.pdf. The CFTC ("CFTC") adopted the same rule on the same date. *See* http://www.cftc.gov/ucm/groups/public/@newsroom/documents/file/federalregister121013.pdf. On January 14, 2014, the Commission, together with the federal banking agencies and the CFTC, approved a companion interim final rule that permits banking entities to retain interests in certain collateralized debt obligations backed primarily by trust preferred securities. *See* Release No. BHCA-2, *Treatment of Certain Collateralized Debt Obligations Backed Primarily by Trust Preferred Securities with Regard to Prohibitions and Restrictions on Certain Interests in, and Relationships with, Hedge Funds and Private Equity Funds* (January 17, 2014), http://www.sec.gov/rules/interim/2014/bhca-2.pdf.

and examining banking entities. In response to banking entities' interpretive questions on the final rule, the staffs of the agencies have published coordinated responses to frequently asked questions on various aspects of the rule. As banking entities seek to comply with the final rule and request additional guidance, I expect the interagency group to continue working together in this manner, as well as in the coordination of examinations for compliance with the final rule.

Corporate Governance and Executive Compensation

The Dodd-Frank Act includes a number of corporate governance and executive compensation provisions that require Commission rulemaking. Among others, such rulemakings include:

- **Say on Pay.** In accordance with Section 951 of the Act, in January 2011, the Commission adopted rules that require public companies subject to the federal proxy rules to provide shareholder advisory say-on-pay, say-on-frequency and "golden parachute" votes on executive compensation.[53] The Commission also proposed rules to implement the Section 951 requirement that institutional investment managers report their votes on these matters at least annually.[54] Staff is working on draft final rules for this remaining part of Section 951 for the Commission's consideration in the near term.

- **Compensation Committee and Adviser Requirements.** In June 2012, the Commission adopted rules to implement Section 952 of the Act, which requires the Commission, by rule, to direct the national securities exchanges and national securities associations to prohibit the listing of any equity security of an issuer that does not comply with new compensation committee and compensation adviser requirements.[55] To conform their rules to the new requirements, national securities exchanges that have rules providing for the listing of equity securities filed proposed rule changes with the Commission.[56] The Commission issued final orders approving the proposed rule changes in January 2013.[57]

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[53] *See* Release No. 33-9178, *Shareholder Approval of Executive Compensation and Golden Parachute Compensation* (January 25, 2011), http://www.sec.gov/rules/final/2011/33-9178.pdf.

[54] *See* Release No. 34-63123, *Reporting of Proxy Votes on Executive Compensation and Other Matters* (October 18, 2010), http://www.sec.gov/rules/proposed/2010/34-63123.pdf.

[55] *See* Release No. 33-9330, *Listing Standards for Compensation Committees* (June 20, 2012), http://www.sec.gov/rules/final/2012/33-9330.pdf.

[56] *See* Release No. 34-68022 (October 9, 2012), http://www.sec.gov/rules/sro/bats/2012/34-68022.pdf (BATS Exchange, Inc.); Release No. 34-68020 (October 9, 2012), http://www.sec.gov/rules/sro/cboe/2012/34-68020.pdf (Chicago Board of Options Exchange, Inc.); Release No. 34-68033 (October 10, 2012), http://www.sec.gov/rules/sro/chx/2012/34-68033.pdf (Chicago Stock Exchange, Inc.); Release No. 34-68013 (October 9, 2012), http://www.sec.gov/rules/sro/nasdaq/2012/34-68013.pdf (Nasdaq Stock Market LLC); Release No. 34-68018 (October 9, 2012), http://www.sec.gov/rules/sro/bx/2012/34-68018.pdf (Nasdaq OMX BX, Inc.); Release No. 34-68039 (October 11, 2012), http://www.sec.gov/rules/sro/nsx/2012/34-68039.pdf (National Stock Exchange, Inc.); Release No. 34-68011 (October 9, 2012), http://www.sec.gov/rules/sro/nyse/2012/34-68011.pdf (New York Stock Exchange LLC); Release No. 34-68006 (October 9, 2012),

- **Pay Ratio Disclosure**. As required by Section 953(b) of the Act, in September 2013, the Commission proposed rules that would amend existing executive compensation rules to require public companies to disclose the ratio of the compensation of a company's chief executive officer to the median compensation of its employees.[58] The Commission has received over 128,000 comment letters on the proposal, including more than 1,000 unique comment letters. The staff is carefully considering those comments and is preparing recommendations for the Commission for a final rule.

- **Incentive-Based Compensation Arrangements**. Section 956 of the Dodd-Frank Act requires the Commission, along with multiple other financial regulators, to jointly adopt regulations or guidelines governing the incentive-based compensation arrangements of certain financial institutions, including broker-dealers and investment advisers with $1 billion or more of assets. Working with the other regulators, in March 2011, the Commission published for public comment a proposed rule that would address such arrangements.[59] The Commission has received a significant number of comment letters on the proposed rule, and I have asked the Commission staff to work with their fellow regulators to develop a recommendation to finalize rules to implement this provision.

- **Prohibition on Broker Voting of Uninstructed Shares**. Section 957 of the Act requires the rules of each national securities exchange to be amended to prohibit brokers from voting uninstructed shares in director elections (other than uncontested elections of directors of registered investment companies), executive compensation matters, or any other significant matter, as determined by the Commission by rule. The Commission has approved changes to the rules with regard to director elections and executive

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http://www.sec.gov/rules/sro/nysearca/2012/34-68006.pdf (NYSEArca LLC); Release No. 34-68007 (October 9, 2012), http://www.sec.gov/rules/sro/nysemkt/2012/34-68007.pdf (NYSE MKT LLC).

[57] *See* Release No. 34-68643 (January 11, 2013), http://www.sec.gov/rules/sro/bats/2013/34-68643.pdf (BATS Exchange, Inc.); Release No. 34-68642 (January 11, 2013), http://www.sec.gov/rules/sro/cboe/2013/34-68642.pdf (Chicago Board of Options Exchange, Inc.); Release No. 34-68653 (January 14, 2013), http://www.sec.gov/rules/sro/chx/2013/34-68653.pdf (Chicago Stock Exchange, Inc.); Release No. 34-68640 (January 11, 2013), http://www.sec.gov/rules/sro/nasdaq/2013/34-68640.pdf (Nasdaq Stock Market LLC); Release No. 34-68641 (January 11, 2012), http://www.sec.gov/rules/sro/bx/2013/34-68641.pdf (Nasdaq OMX BX, Inc.); Release No. 34-68662 (January 15, 2012), http://www.sec.gov/rules/sro/nsx/2013/34-68662.pdf (National Stock Exchange, Inc.); Release No. 34-68635 (January 11, 2013), http://www.sec.gov/rules/sro/nyse/2013/34-68635.pdf (New York Stock Exchange LLC); Release No. 34-68638 (January 11, 2013), http://www.sec.gov/rules/sro/nysearca/2013/34-68638.pdf (NYSEArca LLC); Release No. 34-68637 (January 11, 2013), http://www.sec.gov/rules/sro/nysemkt/2013/34-68637.pdf (NYSE MKT LLC).

[58] *See* Release No. 33-9452, *Pay Ratio Disclosure* (September 18, 2013), http://www.sec.gov/rules/proposed/2013/33-9452.pdf.

[59] *See* Release No. 34-64140, *Incentive-Based Compensation Arrangements*, (March 29, 2011), http://www.sec.gov/rules/proposed/2011/34-64140.pdf.

compensation matters for all of the national securities exchanges, and these rules are all now effective.[60]

The Commission also is required by the Act to adopt several additional rules related to corporate governance and executive compensation, including rules mandating new listing standards relating to specified "clawback" policies,[61] and new disclosure requirements about executive compensation and company performance,[62] and employee and director hedging.[63] The staff currently is developing recommendations for the Commission concerning the implementation of these provisions of the Act, which I expect to be taken up by the Commission in the near future.

Broker-Dealer Audit Requirements

The Dodd-Frank Act provided the Public Company Accounting Oversight Board ("PCAOB") with explicit authority, among other things, to establish, subject to Commission approval, auditing standards for broker-dealer audits filed with the Commission. In August 2013, the Commission amended the broker-dealer financial reporting rule to require that broker-dealer audits be conducted in accordance with PCAOB standards and to more broadly provide additional safeguards with respect to broker-dealer custody of customer securities and funds.[64]

Whistleblower Program

Pursuant to Section 922 of the Dodd-Frank Act, the SEC established a whistleblower program to pay awards to eligible whistleblowers who voluntarily provide the agency with original information about a violation of the federal securities laws that leads to a successful SEC enforcement action in which over $1 million in sanctions is ordered. As detailed in the SEC's Office of the Whistleblower third annual report to Congress,[65] during FY 2013 the Commission received 3,238 tips from whistleblowers in the United States and 55 other countries. The high quality information we have received from whistleblowers has allowed our investigative staff to work more efficiently and better utilize agency resources. Last fall, the Commission made its

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[60] *See* Release No. 34-64140, *Incentive-Based Compensation Arrangements*, (March 29, 2011), http://www.sec.gov/rules/proposed/2011/34-64140.pdf.

[61] *See* Section 954 of the Dodd-Frank Act.

[62] *See* Section 953(a) of the Dodd-Frank Act.

[63] *See* Section 955 of the Dodd-Frank Act.

[64] *See* Release No. 43-0073, *Broker-Dealer Reports* (August 21, 2013), http://www.gpo.gov/fdsys/pkg/FR-2013-08-21/pdf/2013-18738.pdf.

[65] *Annual Report on the Dodd-Frank Whistleblower Program Fiscal Year 2013* (November 2013), http://www.sec.gov/about/offices/owb/annual-report-2013.pdf.

largest whistleblower award to date, awarding over $14 million to a whistleblower whose information led to an SEC enforcement action that recovered substantial investor funds, [66] and this July we awarded more than $400,000 to a whistleblower who reported a fraud to the SEC after the company failed to address the issue internally.[67] We expect future awards to further increase the visibility and effectiveness of this important enforcement initiative.

In addition, the Dodd-Frank Act expanded whistleblower protections by empowering the Commission to bring enforcement actions against employers that retaliate against whistleblowers. Earlier this year, we exercised this authority for the first time when we penalized a firm and its principal for retaliating against a whistleblower who reported potential securities violations to the SEC.[68]

Investment Advisers and Broker-Dealers' Standards of Conduct

Section 913 of the Dodd-Frank Act granted the Commission broad authority to impose a uniform standard of conduct for broker-dealers and investment advisers when providing personalized investment advice about securities to retail customers. The question of whether and, if so, how to use this authority is very important to investors and the Commission.

In January 2011, the Commission submitted to Congress a staff study required by Section 913 (the "IA/BD Study"), which addressed the obligations of investment advisers and broker-dealers when providing personalized investment advice about securities to retail customers, and recommended, among other things, that the Commission exercise the discretionary rulemaking authority provided by Section 913.[69] In March 2013, the Commission issued a public Request for Data and Other Information ("Request") relating to the provision of retail investment advice

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[66] *See In the Matter of Claim for Award*, SEC Release No. 34-70554 (September 30, 2013), http://www.sec.gov/rules/other/2013/34-70554.pdf, and *SEC Awards more than $14 Million to Whistleblower*, SEC Release No. 2013-209 (October 1, 2013), http://www.sec.gov/News/PressRelease/Detail/PressRelease/1370539854258.

[67] *See In the Matter of Claim for Award*, SEC Release No. 34-72727 (July 31, 2014), http://www.sec.gov/rules/other/2014/34-72727.pdf, and *SEC Announces Award for Whistleblower Who Reported Fraud to SEC After Company Failed to Address Issue Internally*, SEC Release No. 2014-154 (July 31, 2014), http://www.sec.gov/News/PressRelease/Detail/PressRelease/1370542578457.

[68] *See SEC Charges Hedge Fund with Conducting Conflicted Transactions and Retaliating Against Whistleblower*, SEC Release No. 2014-118 (June 16, 2014), http://www.sec.gov/News/PressRelease/Detail/PressRelease/1370542096307.

[69] *See Study on Investment Advisers and Broker-Dealers* (January 2011), http://www.sec.gov/news/studies/2011/913studyfinal.pdf; *see also* Statement by SEC Commissioners Kathleen L. Casey and Troy A. Paredes Regarding Study on Investment Advisers and Broker-Dealers (January 21, 2011), http://www.sec.gov/news/speech/2011/spch012211klctap.htm.

and regulatory alternatives, which sought data to assist the Commission in determining whether to engage in rulemaking, and if so, what the nature of that rulemaking ought to be.[70]

In order to more fully inform the Commission's decision on this matter, I directed the staff to evaluate all of the potential options available to the Commission, including a uniform fiduciary standard for broker-dealers and investment advisers when providing personalized investment advice to retail customers. As part of its evaluation, the staff has been giving serious consideration to, among other things, the IA/BD Study's recommendations, the views of investors and other interested market participants, potential economic and market impacts, and the information we received in response to the Request. I have asked the staff to make its evaluation of options a high priority.

In addition to considering the potential options available to the Commission, Commission staff continues to provide regulatory expertise to Department of Labor staff as they consider potential changes to the definition of "fiduciary" under the Employee Retirement Income Security Act ("ERISA"). The staff and I are committed to continuing these conversations with the Department of Labor, both to provide technical assistance and information with respect to the Commission's regulatory approach and to discuss the practical effect on retail investors, and investor choice, of their potential amendments to the definition of "fiduciary" for purposes of ERISA.

Specialized Disclosure Provisions

Title XV of the Act contains specialized disclosure provisions related to conflict minerals, coal or other mine safety, and payments by resource extraction issuers to foreign or U.S. government entities. In December 2011, the Commission adopted final rules for the mine safety provision.[71] In August 2012, the Commission adopted final rules for the disclosures relating to conflict minerals and payments by resource extraction issuers.[72]

A lawsuit was filed challenging the resource extraction issuer rules, and in July 2013, the U.S. District Court for the District of Columbia vacated the rules.[73] Since the court's decision, members of the Commission and the staff have met with interested parties and are considering

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[70] *See Request for Data and Other Information: Duties of Brokers, Dealers and Investment Advisers* (March 1, 2013), http://www.sec.gov/rules/other/2013/34-69013.pdf.

[71] *See* Release No. 33-9286, *Mine Safety Disclosure* (December 21, 2011), http://www.sec.gov/rules/final/2011/33-9286.pdf.

[72] *See* Release No. 34-67716, *Conflict Minerals* (August 22, 2012), http://www.sec.gov/rules/final/2012/34-67716.pdf and *Disclosure of Payments by Resource Extraction Issuers* (August 22, 2012), http://www.sec.gov/rules/final/2012/34-67717.pdf.

[73] *See American Petroleum Institute, et al. v. Securities and Exchange Commission and Oxfam America Inc.*, No. 12-1668 (D.D.C. July 2, 2013).

comments submitted by stakeholders in order to formulate a recommendation for revised rules for the Commission's consideration.

A lawsuit (*NAM vs. SEC)* also was filed challenging the conflict minerals rule, and in April 2014, the U.S. Court of Appeals for the D.C. Circuit upheld the rule against all challenges made under the Administrative Procedure Act and the Exchange Act, but held that a portion of the rule violated the First Amendment.[74] Following the Court of Appeals decision in *NAM*, Commission staff issued a statement on April 29, 2014 that provides detailed guidance regarding compliance with those portions of the rule that were upheld, pending any further action by the Commission or the courts. On May 2, 2014, the Commission ordered a stay of the effective date for compliance with those portions of Rule 13p-1 and Form SD subject to the constitutional holding of the Court of Appeals. On May 29, 2014, the Commission filed a petition asking the Court of Appeals to hold the case for potential panel rehearing or rehearing *en banc* once the Court of Appeals issued a decision in another First Amendment case then pending before the *en banc* Court (*American Meat Institute v. USDA)*. The intervenor in the *NAM* case, Amnesty International, also filed a petition for rehearing or rehearing *en banc* of the First Amendment portion of the panel opinion. The Court issued its *en banc* decision in *American Meat Institute* on July 29, 2014. On August 28, 2014, the Court ordered the appellants to file a response to both the SEC's and Amnesty International's petitions for rehearing *en banc* in *NAM* by September 12, 2014.

Exempt Offerings

In December 2011, the Commission adopted rule amendments to implement Section 413(a) of the Act, which requires the Commission to exclude the value of an individual's primary residence when determining if that individual's net worth exceeds the $1 million threshold required for "accredited investor" status.[75] The staff also currently is conducting a review of the accredited investor definition, as mandated by Section 413(b)(2)(A) of the Act.

In July 2013, the Commission implemented Section 926 of the Act by adopting final rules that disqualify securities offerings involving certain "felons and other 'bad actors'" from relying on the safe harbor from Securities Act registration provided by Rule 506 of Regulation D.[76]

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[74] *See National Association of Manufacturers, et al. v. Securities and Exchange Commission, et al.*, No. 13-5252 (D.C. Cir. April 14, 2014).

[75] *See* Release No. 33-9287, *Net Worth Standard for Accredited Investors* (December 21, 2011) and (March 23, 2012), http://www.sec.gov/rules/final/2011/33-9287.pdf and http://www.sec.gov/rules/final/2012/33-9287a.pdf (technical amendment).

[76] *See* Release No. 33-9214, *Disqualification of Felons and Other "Bad Actors" from Rule 506 Offerings* (July 10, 2013), http://www.sec.gov/rules/final/2013/33-9414.pdf.

Office of Minority and Women Inclusion

In July 2011, pursuant to Section 342 of the Dodd Frank Act, the SEC formally established its Office of Minority and Women Inclusion ("OMWI"). OMWI is responsible for matters related to diversity in management, employment, and business activities at the SEC. This includes developing standards for equal employment opportunity and diversity of the workforce and senior management of the SEC, the increased participation of minority-owned and women-owned businesses in the SEC's programs and contracts, and assessing the diversity policies and practices of entities regulated by the SEC.

To improve diversity in our workforce and in SEC contracts, OMWI has deployed an outreach strategy where the SEC participates in minority- and women-focused career fairs, conferences, and business matchmaking events to attract diverse suppliers and jobseekers to the SEC. As a result of its outreach efforts, as of FY 2014 Q3, 31.9% of the total contract dollars awarded by the SEC were awarded to minority and women contractors, up from 28.7% awarded in FY 2013. As of FY 2014 Q3, 35.8% of new hires were minorities and 40.7% were women, up from 33.5% minorities and 40.3% women hired in FY 2013. OMWI and the Commission are committed to continuing to work proactively to increase the participation of minority-owned and women-owned businesses in our programs and contracting opportunities and to encourage diversity and inclusion in our workforce.

OMWI also continues to make progress on the development of standards and policies relating to regulated entities and contracting. On October 23, 2013, pursuant to Section 342(b)(2)(C) of the Act, the SEC, along with the OCC, the Board, the FDIC, the National Credit Union Administration, and the Consumer Financial Protection Bureau, issued an interagency policy statement proposing joint standards for assessing the diversity policies and practices of the entities they regulate.[77] The standards are intended to promote transparency and awareness of diversity policies and practices within federally regulated financial institutions. The public comment period for the policy statement ended on February 7, 2014,[78] and after careful review and consideration of the more than 200 comment letters received, the OMWI Directors are currently drafting the final interagency policy statement. I anticipate that the final interagency policy statement will be circulated within the agencies for review and formal approval over the next few months.

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[77] *See* Release No. 34-70731, *Proposed Interagency Policy Statement Proposing Joint Standards for Assessing the Diversity Policies and Practices of the Entities Regulated by the Agencies and Request for Comment* (October 23, 2013) https://www.sec.gov/rules/policy/2013/34-70731.pdf.

[78] *See Public Comment on the Proposed Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies of Practices of Entities Regulated by the Agencies*, (December 19, 2013) https://www.sec.gov/rules/policy/2013/comments-joint-standards-diversity.shtml.

Customer Data Protection - Identity Theft Red Flags and Financial Privacy Rules

In April 2013, to implement Section 1088 of the Dodd-Frank Act, the SEC and the CFTC jointly adopted Regulation S-ID.[79] Regulation S-ID requires certain regulated financial institutions such as broker-dealers and registered investment advisers to adopt and implement identity theft programs. Specifically, the regulation requires covered firms to implement policies and procedures designed to:

- identify relevant types of identity theft red flags;
- detect the occurrence of those red flags;
- respond appropriately to the detected red flags; and
- periodically update the identity theft program.

Regulation S-ID's requirements complement the SEC's other rules for protecting customer data.[80]

SEC Resources

The SEC collects transaction fees that offset the annual appropriation to the SEC. Accordingly, regardless of the amount appropriated to the SEC, our funding level will not take resources from other agencies, nor will it have an impact on the nation's budget deficit. Yet, since FY 2012, the SEC has not received a significant increase in resources to permit the agency to bring on the additional staff needed to adequately carry out our mission.

Our budgetary needs have, of course, been increased by the responsibilities added by the Dodd-Frank and JOBS Acts, but our significant budgetary gap and needs would remain had those extensive additional responsibilities not been added. There is an immediate and pressing need for significant additional resources to permit the SEC to increase its examination coverage of registered investment advisers so as to better protect investors and our markets. While the SEC makes increasingly effective and efficient use of its limited resources, we nevertheless were in a position to only examine 9% of registered investment advisers in fiscal year 2013. In 2004, the SEC had 19 examiners per trillion dollars in investment adviser assets under management. Today, we have only 8. Additional resources are vital to increase exam coverage over investment advisers and other key areas, and also to bolster our core investigative, litigation, and analytical enforcement functions. It is also a high priority for us to continue the agency's

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[79] *See* Release No. 34-69359, *Identity Theft Red Flags Rules* (April 10, 2013), https://www.sec.gov/rules/final/2013/34-69359.pdf. *See also* 17 CFR Part 248, Subpart C.

[80] Regulation S-P requires broker-dealers, investment companies, and registered investment advisers to adopt and implement written policies and procedures to safeguard customer records and information. *See* Release 34-42974, *Privacy of Consumer Financial Information (Regulation S-P)* (June 22, 2000), https://www.sec.gov/rules/final/34-42974.htm. *See also* 17 CFR Part 248, Subpart A.

investments in the technologies needed to keep pace with today's high-tech, high-speed markets.

With respect to our new responsibilities, we need additional staff experts to focus on enforcement, examinations, and regulatory oversight. We must strengthen our ability to take in, organize, and analyze data on the new markets and entities under the agency's jurisdiction. The new responsibilities cannot be handled appropriately with the agency's existing resource levels without undermining the agency's other core duties, particularly as we turn from rule writing to implementation and enforcement of those rules.

Also critical will be the SEC's continued use of the Reserve Fund, established under the Dodd-Frank Act. The SEC dedicated the Reserve Fund to critical IT upgrades, and, if funding permits, plans to continue investing in areas such as data analysis, EDGAR and sec.gov modernization, enforcement and examinations support, and business process improvements.

If the SEC does not receive sufficient additional resources, the agency will be unable to fully build out its technology and hire the industry experts and other staff needed to oversee and police our areas of responsibility, especially in light of the expanding size and complexity of our overall regulatory space. Our nation's markets are the safest and most dynamic in the world, but without sufficient resources, it will become increasingly difficult for our talented professionals to detect, pursue, and prosecute violations of our securities laws as the size, speed, and complexity of the markets grow around us.

Conclusion

The Commission has made tremendous progress implementing the extensive rulemakings and other initiatives mandated by the Dodd-Frank Act to strengthen regulation and our financial system. As the Commission strives to complete the remaining work, I look forward to working with this Committee and others in the financial marketplace to adopt rules that protect investors, maintain fair, orderly and efficient markets, and facilitate capital formation – as we also undertake the necessary measures to enhance financial stability and limit potential systemic risks. Thank you for your support of the SEC's mission and for inviting me to share our progress with you. I look forward to answering your questions.

Status of Dodd-Frank Requirements Applicable to the SEC

I. Rulemaking Provisions

The following list groups Dodd-Frank Act rulemaking provisions applicable to the SEC into 10 categories and indicates whether rules have been adopted, proposed, or yet to be proposed with respect to each provision.

A. Private Funds - 8 total rulemaking provisions

1. Rules adopted with respect to 8 provisions:

   - Sec. 404—Records to be maintained and reports to be provided by private funds
   - Sec. 406—Disclosure rules on private funds
   - Sec. 407—Exemption of venture capital fund advisers, definition of "venture capital fund"
   - Sec. 408—Exemption from registration by certain private fund advisers/requirement of records for such advisers
   - Sec. 409—Family office
   - Sec. 410—State and federal responsibilities/ asset threshold for registration of federal advisers
   - Sec. 413—Adjustment of the accredited investor standard
   - Sec. 418—Qualified client standard, inflation adjustment

2. Rules proposed with respect to 0 provisions.

3. Rules yet to be proposed with respect to 0 provisions.

B. Volcker Rule - 1 total rulemaking provision

1. Rules adopted with respect to 1 provision:

   - Sec. 619—Prohibition on proprietary trading and certain relationships with hedge funds and private equity funds

2. Rules proposed with respect to 0 provisions.

3. Rules yet to be proposed with respect to 0 provisions.

C. Security-Based Swaps - 29 total rulemaking provisions

1. Rules adopted with respect to 11 provisions:

- Sec. 712—Joint CFTC and SEC rulemaking regarding mixed swaps
- Sec. 712(d)(1)—Joint CFTC and SEC rulemaking concerning swaps-related definitions
- Sec. 712(d)(2)(B)—Joint CFTC and SEC rulemaking regarding recordkeeping by trade repositories with respect to security-based swap agreement transactions
- Sec. 712(d)(2)(C)— Joint CFTC and SEC rulemaking regarding recordkeeping by security-based swap dealers, swap dealers, major security-based swap participants and major swap participants for security-based swap agreement transactions
- Sec. 761(a)(6)—Rules to facilitate identification of major security-based swap participants
- Sec. 761(a)(6)—Exemption from the definition of security-based swap dealer for *de minimis* activity
- Sec. 763(a)—Rules providing process for clearing agencies to request to clear security-based swaps
- Sec. 763(a)—Rules for providing a process for staying a clearing requirement and reviewing clearing arrangements for swaps approved by the SEC for clearing
- Sec. 763(a)—Rules to prevent evasion of clearing requirements
- Sec. 763(b)—Rules governing clearing agencies for security-based swaps
- Sec. 766(a)—Transition rules regarding the reporting of pre-enactment security-based swap transactions

2. Rules proposed with respect to 18 provisions:

- Sec. 763(a)—SEC transition reporting rules for security-based swaps
- Sec. 763(c)—Data collection and reporting rules for security-based swap execution facilities
- Sec. 763(c)—Rules governing security-based swap execution facilities
- Sec. 763(g)—Rules regarding fraud in the security-based swap market
- Sec. 763(i)—Rules providing for public availability of security-based swap transaction and pricing data to enhance price discovery
- Sec. 763(i)—Rules regarding the type of data to be collected with respect to security-based swap transactions
- Sec. 763(i)—Duties of security-based swap data repositories
- Sec. 763(i)—Rules governing registered security-based swap data repositories
- Sec. 764—Rules regarding the registration of security-based swap dealers or major security-based swap participants
- Sec. 764(a)—Reporting and recordkeeping rules applicable to security-based swap dealers and major security-based swap participants
- Sec. 764(a)—Rules regarding daily trading recordkeeping

- Sec. 764(a)—Rules, including capital and margin, governing security-based swap dealers and major security-based swap participants that are not banks
- Sec. 764(a)—Business conduct standards applicable to security-based swap dealers and security-based swap major participants
- Sec. 764(a)—Rules relating to documentation of security-based swap transactions
- Sec. 764(j)—Duties of security-based swap dealers and major security-based swap participants related to monitoring of trading, risk management procedures, disclosure of general information, ability to obtain information, conflicts, and antitrust considerations
- Sec. 765(a)—Conflicts of interest
- Sec. 766(a)—Reporting of uncleared security-based swap transactions
- Sec. 766(a)—Recordkeeping for certain security-based swaps

3. Rules yet to be proposed with respect to 0 provisions.

D. Clearing Agencies - 2 total rulemaking provisions

1. Rules adopted with respect to 2 provisions:

- Sec. 805(a)(2)(A)—Authority to prescribe risk management standards for designated clearing entities
- Sec. 806(e)(1)—Changes to rules, procedures or operation of designated financial market utilities

2. Rules proposed with respect to 0 provisions.

3. Rules yet to be proposed with respect to 0 provisions.

E. Municipal Securities Advisors – 1 total rulemaking provision

1. Rules adopted with respect to 1 provision:

- Sec. 975—Municipal advisor regulation

2. Rules proposed with respect to 0 provisions.

3. Rules yet to be proposed with respect to 0 provisions.

F. Executive Compensation - 12 total rulemaking provisions

1. Rules adopted with respect to 6 provisions:

- Sec. 951—Shareholder approval of executive compensation[1]
- Sec. 952 (Exchange Act Sec. 10C(a))—Compensation committee independence—Commission to direct SROs to prohibit listing of certain securities unless issuers are in compliance with compensation committee independence requirements
- Sec. 952 (Exchange Act Sec. 10C(b))—Compensation committee independence—Commission to identify factors that may affect independence
- Sec. 952 (Exchange Act Sec. 10C(c)(2))—Compensation committee independence—Commission to issues rules relating to proxy disclosure regarding compensation consultants
- Sec. 952 (Exchange Act Sec. 10C(f))—Compensation committee independence—Commission to direct SROs to prohibit listing of securities of an issuer that is not in compliance with the requirements of the section
- Sec. 972—Chairman/CEO structure disclosure in annual proxy

2. Rules proposed with respect to 3 provisions:

- Sec. 953(b)—Additional executive compensation disclosure (pay ratio)
- Sec. 956(a)—Compensation structure reporting (joint rulemaking)
- Sec. 956(b)—Prohibition on certain compensation arrangements (joint rulemaking)

3. Rules yet to be proposed with respect to 3 provisions:

- Sec. 953(a)—Pay v. performance disclosure
- Sec. 954—Recovery of executive compensation
- Sec. 955—Disclosure regarding employee and director hedging

G. Asset-backed Securities - 7 total rulemaking provisions

1. Rules adopted with respect to 3 provisions:

- Sec. 942(b)—ABS disclosure[2]
- Sec. 943—ABS reps and warranties
- Sec. 945—ABS due diligence disclosure

[1] The significant part of the rulemaking contemplated by this section is complete, but part of it remains to be completed.

[2] The Commission has adopted asset-level disclosure rules with respect to securitizations of residential and commercial mortgages, auto loans and leases, debt securities, and resecuritizations of those asset classes; proposed rules for other assets classes remain outstanding.

2. Rules proposed with respect to 4 provisions:

- Sec. 621—Conflicts of interest regarding certain securitizations
- Sec. 941(b)—Credit risk retention (general) (joint rulemaking)
- Sec. 941(b)—Credit risk retention (residential mortgages) (joint rulemaking)
- Sec. 941(b)—Credit risk retention exemptions (joint rulemaking)

3. Rules yet to be proposed with respect to 0 provisions.

H. Credit Rating Agencies - 12 total rulemaking provisions

1. Rules adopted with respect to 12 provisions:

- Sec. 932(a)(2)(B)—Internal controls governing the implementation of and adherence to policies, procedures and methodologies for determining credit ratings
- Sec. 932(a)(4)—Separation of ratings from sales and marketing
- Sec. 932(a)(4)—Policies and procedures relating to look back reviews
- Sec. 932(a)(8)—Fines and penalties
- Sec. 932(a)(8)—Transparency of ratings performance
- Sec. 932(a)(8)—Credit rating methodologies
- Sec. 932(a)(8)— Form and certification to accompany credit ratings
- Sec. 932(a)(8)—Third-party due diligence services for asset-backed securities
- Sec. 936— Standards of training, experience, and competence for credit rating analysts
- Sec. 938—Universal ratings symbols
- Sec. 939—Removal of statutory references to credit ratings[3]
- Sec. 939A—Review of reliance on credit ratings[4]

2. Rules proposed with respect to 0 provisions.

3. Rules yet to be proposed with respect to 0 provisions.

[3] Section 939 removes references to NRSRO ratings in the Investment Company Act (section 939(c)) and the Exchange Act (section 939(e)) and substitutes standards of credit-worthiness to be established by the Commission. The SEC has adopted rules under section 939(c), but has not yet adopted rules under section 939(e) to establish substitute standards of credit-worthiness in the Exchange Act definitions of "mortgage related security" and "small business related security".

[4] The significant part of the rulemaking contemplated by this section is complete, but part of it remains to be completed. Since enactment of the Dodd-Frank Act, the Commission has removed references to credit ratings used for purposes of assessing credit-worthiness from 22 separate rules and forms. The Commission has proposed removal of such references from four additional rules and forms relating to money market mutual funds (Investment Company Act Rule 2a-7 and Form N-MFP) and distributions of securities (Rules 101 and 102 of Regulation M).

I. Specialized Disclosures - 2 total rulemaking provisions

1. Rules adopted with respect to 2 provisions:

- Sec. 1502—Conflict minerals[5]
- Sec. 1504—Disclosure of payment by resource extraction issuers[6]

2. Rules proposed with respect to 0 provisions.

3. Rules yet to be proposed with respect to 0 provisions.

J. Other - 12 total rulemaking provisions

1. Rules adopted with respect to 7 provisions:

- Sec. 916—Streamlining of filing procedures for self-regulatory organizations
- Sec. 924—Whistleblower provisions
- Sec. 929W—Notice to missing security holders
- Sec. 939B—Elimination of exemption from fair disclosure rule
- Sec. 989G—Exemption for nonaccelerated filers
- Sec. 1088(a)(8)—Red flag guidelines and regulations (joint rules)
- Sec. 926—Disqualifying felons and other "bad actors" from Reg. D offerings

2. Rules proposed with respect to 0 provisions.

3. Rules yet to be proposed with respect to 5 provisions:

- Sec. 165—Stress tests
- Sec. 205(h)—Orderly liquidation of covered brokers and dealers (joint rulemaking)
- Sec. 915—Regulations for Office of Investor Advocate
- Sec. 929X(a)—Short sale reforms
- Sec. 984(b)—Increased transparency of information available to brokers, dealers, investors, with respect to loan or borrowing of securities

[5] The Commission adopted rules with respect to section 1502 on 8/22/12. The U.S. Court of Appeals for the District of Columbia upheld the majority of the provisions of the rule but held that one provision violated the First Amendment on 4/14/14. Petitions for rehearing and rehearing *en banc* are currently pending before the Court of Appeals.

[6] The Commission adopted rules with respect to section 1504 on 8/22/12, but the U.S. District Court for the District of Columbia vacated the rule and remanded it to the SEC on 7/2/13. The Commission did not appeal the district court's decision and will need to engage in further rulemaking consistent with the decision.

II. New SEC Offices

The Dodd-Frank Act requires the SEC to create 5 new offices:

- Office of the Whistleblower
- Office of Credit Ratings
- Office of the Investor Advocate
- Office of Minority and Women Inclusion
- Office of Municipal Securities

All of these offices have been established.

III. Studies and Reports

The Dodd-Frank Act requires the SEC to issue 28 studies or reports, including 18 one-time studies or reports and 10 that must be issued on a recurring basis.

A. One-Time Studies or Reports

The SEC has completed 15 of the 18 one-time studies or reports:

- Sec. 417—Report to Congress on short sales reporting (1-year report) (6/5/2014)
- Sec. 719(b)—Report to Congress, jointly with the CFTC, regarding a study regarding the feasibility of requiring the derivatives industry to adopt standardized computer-readable algorithmic descriptions (4/8/2011)
- Sec. 719(c)—Report to Congress, jointly with the CFTC, regarding a study regarding how swaps are regulated in the United States, Asia, and Europe, to identify areas of regulation that are similar and could be harmonized (2/1/2012)
- Sec. 750(e) – Report to Congress by an interagency working group, including the SEC Chairman, on the oversight of existing and prospective carbon markets (1/18/2011)
- Sec. 813—Report to Congress, jointly with the CFTC and the Federal Reserve, on risk management supervision of designated clearing entities (7/21/2011)
- Sec. 913—Report to Congress on the study of the obligations of brokers, dealers, and investment advisers (1/22/2011)
- Sec. 914—Report to Congress on the need for enhanced resources for investment adviser examinations and enforcement (1/19/11)
- Sec. 917—Study regarding financial literacy among retail investors (8/30/2012)
- Sec. 919B—Study of ways to improve investor access to information about investment advisers and broker-dealers (1/27/2011)
- Sec. 929Y—Study on the cross-border scope of the private right of action under Section 10(b) of the Securities Exchange Act (4/11/2012)
- Sec. 939(h)— Report to Congress on standardization of credit ratings (9/7/2012)
- Sec. 939A—Report to Congress on review of reliance on credit ratings (7/21/2011)
- Sec. 939C—Report to Congress on credit rating agency independence (11/21/2013)

- Sec. 939F—Study on the rating process for structured finance products and the feasibility of a credit rating assignment system (12/18/2012)
- Sec. 989G—Report to Congress on study regarding reducing the costs to smaller issuers (with market capitalization between $75 million and $ 250 million) for complying with §404(b) of the Sarbanes-Oxley Act of 2002 (4/22/2011)

Three of the one-time studies or reports have not yet been completed:

- Sec. 417—Report to Congress on "the state of short selling on national securities exchanges and in the over-the-counter markets" (2-year report)
- Sec. 952—Study and Report to Congress to review of the use of compensation consultants and the effects of such use
- Sec. 719(d)—Joint SEC/CFTC study concerning stable value contracts

B. Recurring Reports

The Dodd-Frank Act also requires the Commission, a specific office of the Commission, or an individual within the Commission to issue 10 recurring reports. Eight of these recurring reports are being issued:

- Sec. 342—Annual report to Congress on the activities of the Office of Minority and Women Inclusion (4/18/2014; 4/24/2013; 4/10/2012)
- Sec. 404—Annual report to Congress on the use of data collected from advisers to hedge funds and other private funds to aid in monitoring system financial risk (8/15/2014; 7/25/2013)
- Sec. 915—Annual report to Congress on the objectives of the Investor Advocate for the following fiscal year (6/30/2014)
- Secs. 922 and 924—Annual report to Congress on the securities whistleblower incentive and protection program (11/15/2013; 11/15/2012; 11/15/2011; 10/29/2010)
- Sec. 932—Annual summary report of Commission staff's examinations of NRSROs (12/24/2013; 11/15/2012; 9/30/2011)
- Sec. 961—Annual report and certification sent to Congress regarding the SEC's internal supervisory controls (12/20/13; 12/20/12; 12/22/2011; 12/21/2010)
- Sec. 963—Annual financial controls audit report (included in the SEC's annual financial reports)
- Sec. 967—Report to Congress on the implementation of SEC organizational reform recommendations, with follow-up reports over a two-year period (4/30/2013; 10/17/2012; 3/30/2012; 9/12/2011; 3/10/2011)

Two of these recurring reports have not yet begun to be issued:

- Sec. 763(i)—Reports on aggregate security-based swap data
- Sec. 915—Annual report to Congress on the activities of the Investor Advocate during the immediately preceding fiscal year (*Note*: The Investor Advocate was appointed in February 2014.)