Opening Statement
Chairman Sherrod Brown
Oversight of the U.S. Securities and Exchange Commission
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I call this hearing to order, and welcome our witnesses.

Welcome back Chair Gensler.

Americans count on our markets to provide for their futures. But for too long, our markets and financial regulators have answered to the interests of the powerful few on Wall Street – big banks, private fund managers, and corporate executives, looking to keep profits for themselves instead of investing in their workers, and in innovation, and in American prosperity.

New technologies risk further concentrating power on Wall Street at the expense of American savers. Meanwhile, fraudsters are using cyber attacks and 'deep fake' AI technologies to scam American savers.

Faced with an unfair playing field that favors entrenched, wealthy interests over hardworking Americans, the SEC has its work cut out for it –to protect families whose hard-earned savings are invested in the markets.

But many on Wall Street have suggested that the SEC has been moving too fast recently.

We've heard all the complaints, and I'm sure we'll hear them again today—too many rules, too fast, too hard to comply with.

But America's markets are the greatest in the world *because* we have strong investor protections — and because we have effective regulators who work to make sure we have transparent, fair, and honest markets that Americans deserve.

And we know all too well what happens when regulators – at the behest of lobbyists and the politicians who always do their bidding – ignore changes or are too slow to respond.

It was 15 years ago this week that Lehman Brothers collapsed— putting us in the middle of a financial crisis because industry ran wild.

Look at the private funds rule the SEC recently finalized:

Private equity and hedge funds managed tens of trillions of dollars in assets at the end of last year for pension funds and endowments and now even some retirement savers.

Private equity firms alone control somewhere between 15 and 20 percent of our whole economy – and that number is going up every year.

But all the Americans whose savings are controlled by these opaque firms haven't been able to get much information about how they're using people's money – fees, comparable performance data, independent audits, disclosure of conflicts of interests by fund managers.

Americans have been in the dark about all of it…until now. The private funds rule will change that, and force them to tell people how much money these private equity firms are charging.

It should be no surprise that the groups that complained the proposed rule was too strong, too hard to comply with, and unnecessary, waited only days before running to their venue of choice – the Fifth Circuit Court of Appeals.

Of course it's always the fifth circuit – the most extreme and partisan circuit in America.

It's the same playbook we see over and over – Wall Street and corporate interests trying to use the courts to go around the public.

So of course we wonder: what else are these companies trying to hide?

Trillions in stock buybacks, for one thing.

It's why the SEC update of corporate buyback disclosure will also provide much needed data on how executives are allocating corporate resources.

That increased transparency will combine with our first-ever tax on corporate stock buybacks. Together, they should encourage companies to stop throwing trillions of dollars at buybacks that enrich executives, and start investing in their workers and innovation.

The Commission also took important steps to address fraud and increase executive accountability.

Under your leadership, the SEC finally took steps to complete two safeguards required under the Dodd-Frank Act. The first was proposing a rule prohibiting conflicts of interest in the market for mortgage-backed and asset-backed securities.

While that sounds technical—during the Financial Crisis of 2008 Wall Street banks and predatory hedge funds bet against the U.S. housing market and caused billions in damage.

The second Dodd-Frank provision requires companies to work to claw back compensation from executives who earned bonuses based on flawed financial results.

This Committee has also been working to enhance executive accountability by recently passing – by a vote of 21 to 2 – a bipartisan bill to hold bank executives responsible when they mismanage their banks. I look forward to the RECOUP Act passing the Senate and becoming law.

In the past year, the SEC also advanced transparency by requiring companies to notify the market when they experience cyberattacks.

We all know this is a growing risk to every industry, and now there is standard that ensures investors and policymakers know when these potentially devastating hacks occur.

Of course, the SEC has continued to pursue enforcement actions against all kinds of scam artists—those that target vulnerable investors, people who try to get away with insider trading, and crypto fraudsters.

You have been busy. And there is more work to do to protect American savers.

We know the SEC is looking ahead at emerging risks posed by new technologies, including machine learning and artificial intelligence. The SEC must make sure that brokers and investment advisers put customers first when they use new technologies. This Committee will be discussing the impact of AI on financial markets and consumers in the coming weeks.

I am eager to see the SEC finalize its climate disclosure rule. There has been significant opposition to the proposal, but the transparency it will provide will be valuable to investors.

Just last week, this Committee heard testimony about the challenges in the property insurance market. The increase in climate events every year –fifteen $1 billion events so far this year— is well documented. Those climate events affect businesses, too— that destruction hits factories and infrastructure and puts workers at risk.

So, it is clear why investors are demanding this information; they deserve to get it.

And we only need to look to events in the crypto markets in the past year to see what happens when markets lack transparency and conflicts go unchecked. Americans lose money.

Since you testified last year, the FTX collapse showed how dangerous crypto can be.

But FTX wasn't a lone bad apple—it was just the most explosive example of the problems in crypto. It seems like every day, before and after the collapse of FTX, there is another crypto scam, hack, or insider taking advantage of people—and another few million dollars lost.

That's because the problems we saw at FTX are everywhere in crypto – the failure to provide real disclosure, the conflicts of interest, the risky bets with customer money that was supposed to be safe. FTX was just the biggest and the ugliest. For consumers, it adds up to billions of dollars gone.

Meanwhile, bad actors keep flocking to crypto. They use it to launder money, evade sanctions, fund crime and human trafficking and terrorism.

We need to protect workers and families in these markets and clean up the scams and frauds. As Congress considers digital asset legislation, I'm glad the SEC is using its tools to crack down on abuse and enforce the law.

Chair Gensler, as our economy and markets move forward, the SEC must keep moving forward and put American savers first. Americans who work hard and scrimp to save for their families' futures deserve to invest their savings in markets that are fair, honest, and transparent. I look forward to hearing more from you about how the SEC is working to protect American investors.

Ranking Member Scott.