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Chairman, U.S. Securities and Exchange Commission

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Introduction

Chairman, Terry J. Lundgren

Thank you very much, and welcome to the 468th meeting of the Economic Club of New York in our 110th year. I'm Terry Lundgren, Chairman of the Economic Club of New York and Executive Chairman of Macy's, Inc. The Economic Club of New York is the nation's leading nonpartisan forum for speeches and conversations on economic, social, and political issues. More than 1,000 prominent guest speakers have appeared before our Club over the last century and have established a strong tradition of excellence. I'd like to take a moment to recognize and thank the 249 members of the Centennial Society who have made one-time contributions of at least $10,000 or more and they have become the lifeblood of our company and help do many of these events, fund many of these events. In fact, we have with us today a group of, who we refer to as the 2017 Economic Club Fellow members. And these members of the Fellows Program are, their appearance here is funded by the contributions of the Centennial Society. And through this program, we are hoping to introduce the Club to the next generation of business leaders in the New York area.

It is a pleasure for me to introduce our distinguished guest, the speaker today, U.S. Securities and Exchange Commission Chairman, Jay Clayton. Chairman Clayton was nominated to chair the SEC on January 20th of this year by the president and was sworn-in in early May following confirmation by the U.S. Senate. Prior to joining the Commission, Chairman Clayton was a

partner with Sullivan & Cromwell, LLP, where for over 20 years he advised public and private companies on a wide range of matters including securities offerings, mergers and acquisitions, corporate governance, and regulatory and enforcement proceedings.

Chairman Clayton has authored publications on securities law, cyber-security, and regulatory issues. From 2009 to ‘17, he was an adjunct professor at the University of Pennsylvania Law School teaching M&A through the business cycle and other courses as well. A member of the New York and Washington, D.C. Bars, Chairman Clayton received degrees in engineering, economics, and law. He earned his bachelor’s degree in engineering from the University of Pennsylvania, where he was a recipient of the Thouron Award for post-graduate studies in the United Kingdom, which enabled him to continue on with his education and receiving his, both Bachelors and Masters degree in Economics from the University of Cambridge. I was also impressed to learn that simultaneously he was the Captain of the Cambridge basketball team. And I’m told that Steph Curry studied every move before his final game that Jay made.

As a reminder, this event is on the record. We do have media in the room. And with that, Chairman Clayton, the podium is yours. (Applause)

Jay Clayton

Chairman, U.S. Securities and Exchange Commission

Thank you, Terry. I think the least believable part of that is the basketball part, especially standing next to you. A couple of preliminaries – it's really terrific to be here. One, it's mandatory for people in my position, which is to tell you that my remarks are my own. They're not the remarks of the Commission or any other person. The second is to say that much to my staff's chagrin, and they know me, I often deviate from my prepared remarks. If I make a material deviation, we'll try to correct the record before you make an investment decision. (Laughter) In any event, let me get started.

So, this Club has established itself as an esteemed and nonpartisan forum for economic discourse. It's an ideal place to discuss SEC policy and the effects of that policy on the U.S. economy and the American people. I intend to do just that in my first public speech as Chairman of the SEC.

Nearly six months ago, my predecessor Mary Jo White gave her last public address as SEC Chair in this same forum. In her remarks, she stated, "I am confident in reporting that the agency is today a stronger protector of investors than ever before and much better equipped to meet the challenges of the fast-paced, complex, and interconnected securities markets of 2017." I am pleased – and very thankful – to say I agree with Chair White. When I arrived at the

Commission, I made it a priority to meet with staff across the agency. With each meeting, I became more impressed by the breadth of issues my 4,600 colleagues cover, and even more, by their dedication.

The Dodd-Frank Act of 2010 required the SEC to complete an unprecedented array of congressionally mandated rulemakings – all on top of the agency's usual work. Under Chair White's leadership, the Commission made great strides in this area. Admittedly, there are still Dodd-Frank mandates to be completed. But thanks to Mary Jo and the staff at the SEC, I have inherited an agency that has considerably more discretion over its agenda.

Today, I will share with you my perspective on the Commission and the principles that should guide where we go from here. I will then talk about some of the specific areas where I believe the agency should take action in the near-term to further its mission.

So, turning to guiding principles: I believe in a model of leadership – and here comes a deviation – I recognize a lot of faces in this room, and I've seen you as leaders, and I've seen you root your leadership in principles, and I intend to follow that. So I want to outline eight of them that will guide my chairmanship.

The first is the SEC's mission is our touchstone. The SEC has a three-part mission. To protect investors, to maintain fair, orderly and efficient markets, and to facilitate capital formation. Each

tenet of that mission is critical. If we stray from our mission, or emphasize one of the canons without being mindful of the others, investors, companies – large and small – the U.S. capital markets, and ultimately our economy will suffer.

Principle 2: Our analysis starts and ends with the long-term interests of the Main Street investor. How do we, at the SEC, assess whether we are being true to our three-part mission? The answer, from my perspective, is the long-term interests of our Main Street investors. Or, as I say when I walk the halls of the agency, how does what we propose to do affect the long-term interests of Mr. and Ms. 401k? Are these investors benefitting from our efforts? Do they have appropriate investment opportunities? Are they well-informed? And speaking more granularly, what can the Commission do to cultivate markets where Mr. and Ms. 401k are able to better invest for their future?

I am confident that this is the right lens, and it's the one that the American people would want the Commission to use. I am also confident that the women and men of the SEC share this perspective.

Principle 3: The SEC's historic approach to regulation is sound. Disclosure and materiality have been at the heart of the SEC's regulatory approach for over eighty years. As my colleague, Commissioner Mike Piwowar, recently said, "Unlike merit-based regimes, our system of disclosure comports well with American traditions. By arming investors with information, they

can evaluate and make investment decisions that support more accurate valuations of securities and a more efficient allocation of capital." The Commission, following the guidance of the Supreme Court, should continue to strive to ensure that investors have access to a well-crafted package of information that facilitates informed decision-making.

In addition to the disclosure-based rules, the SEC has placed heightened conduct responsibilities on people and organizations that are central to, or actively participate in our securities markets. The rules that apply to securities exchanges, clearing agencies, broker-dealers, and investment advisors – to name a few – protect markets and investors where information and market forces alone may not be enough.

The third leg of the stool – the anti-fraud regime established by Congress and the Commission – acts as a back-stop to the aforementioned disclosure rules and oversight systems. The government can bring to bear its extensive enforcement capabilities on those who try to circumvent established investor protections or otherwise engage in deceptive or manipulative practices.

In sum, I believe in this regulatory architecture, and it's the one that has governed us since 1933. Said another way, I'm a realist, and it's abundantly clear that wholesale changes to the Commission's fundamental regulatory approach would not make sense.

Principle 4: Regulatory actions drive change, and change can have lasting effects. Incremental regulatory changes may not seem individually significant, but, in the aggregate, they can dramatically affect our markets. For example, our public company disclosure and trading system is an incredibly powerful, efficient, and reliable means of making investment opportunities available to the general public. In fact, this disclosure-based regime has worked so well that we – not just the SEC, but lawmakers and other regulators – have slowly but significantly expanded the scope of required disclosures beyond the core concept of materiality. These actions have been justified by regulators and lawmakers alike, often based on discrete, direct or indirect benefits to specific shareholders or other constituencies. And it has often been concluded that these discrete benefits outweigh the marginal costs that are spread over a broad shareholder base.

But the roughly 50% decline in the total number of U.S. public companies, U.S.-listed public companies over the last two decades forces us to question whether our analysis should be cumulative as well as incremental. I believe it should be. As a data point, over this two-decade period, studies show the median word-count for SEC filings has more than doubled, yet readability of those documents is at an all-time low.

While there are many factors that drive the decision of whether to be a public company, increased disclosure and other burdens may render alternatives for raising capital, such as the private markets, increasingly attractive to companies that only a decade ago would have been all but certain candidates for public markets. And, fewer smaller and medium-sized public

companies may mean less liquidity for peer companies that remain public. Regardless of the cause of this decline in public companies, it's a serious issue for our markets and for the country more generally. To the extent companies are eschewing our public markets, the vast majority of our Main Street investors will be unable to participate in their growth. The potential lasting effects of such an outcome to the economy and society are, in two words, not good. I'll again deviate – this really matters to me. Our Main Street investors should have access to our growing companies, and we should be doing what we can to facilitate that.

Principle 5: As markets evolve, so must the SEC. Continuing with the theme of change, technology and innovation are constantly disrupting – in mostly positive ways – the manner in which markets work and investors transact. The SEC must recognize this and strive to ensure that our rules and operations reflect those realities. As my colleague Kara Stein has noted, "We need to take into account new tensions, risks, uncertainties, and conflicts."

While this dynamic atmosphere presents challenges, it also provides opportunities for improvements and efficiencies. It is our job as regulators to find these. Technology is not just the province of those we regulate. The SEC has the capability to develop and utilize it as well. We do apply sophisticated analytic strategies to detect companies and individuals engaging in suspicious behavior. We are adapting machine learning and artificial intelligence to new functions, such as analyzing regulatory filings.

As the SEC evolves alongside the markets, however, we must remember that implementing regulatory change has costs. Companies spend significant resources building systems of compliance, hiring personnel to operate those systems, seeking legal advice – from people like me – concerning the design and effectiveness of those systems, and adapting the systems as regulations change. Shareholders and customers bear those costs, which is something that should not be taken lightly, lest we lose our credibility as regulators.

Principle 6: Effective rulemaking does not end with rule adoption. With respect to rulemaking, the SEC has developed robust processes for obtaining public input and is committed to performing rigorous economic analysis of our rules, at both the proposing and adopting stages. These efforts are critical to identifying the benefits and costs of regulation. But we should not stop there. The Commission should review its rules retrospectively. We should listen to investors and others about where rules are and are not functioning as intended. We cannot be shy about being introspective and self-critical.

Number 7: The cost of a rule now often include the cost of demonstrating compliance. I think this is a recent development. Rules are meant to be followed and the public depends on regulation to make sure that that happens – depends on us to make sure that it happens. It's incumbent on the Commission to write rules so that those who are subject to them can ascertain how to comply with them and – now more than ever – how to demonstrate that compliance. Vaguely worded rules can too easily lead to subpar compliance solutions or an overinvestment in

control systems. We must recognize the practical costs that are sure to arise.

For example, when the SEC requires a Chief Executive Officer to make a certification that a specific requirement has been met, while he or she retains ultimate responsibility, realistically it should be expected that responsibility will be supported down through the chain of command in a demonstrable manner. This can be an expensive practice that goes well beyond prudent management and control architecture. When you add third parties, such as auditors, outside counsels, consultants, the costs – financial and, in many ways more important, the cost in terms of time – can skyrocket. This may be the appropriate regulatory approach, and to be clear, in some areas I think it is. However, the Commission needs to make sure at the time a rule is adopted, that we have a realistic view for how it will be implemented as well as how we and others intend to examine for compliance.

Okay, principle 8, I bet you're glad there's not 12. (Laughter) Coordination is key. The SEC shares financial services space with many other regulatory players. The Commission works alongside more than 15 U.S. federal regulatory bodies, over 50 state and territory securities regulators, the Department of Justice, state attorneys general, SROs – self-regulatory organizations – and non-SRO standard setting bodies. Coordination with, between, and among all these organizations is essential to a well-functioning regulatory environment.

One such area is the regulation of over-the-counter derivatives. Congress established, through

Title VII of the Dodd-Frank Act, a dual regulatory structure for these instruments. The SEC was assigned authority over security-based swaps, and the CFTC was assigned authority over swaps. For this structure to be effective, there must be close coordination between the SEC and the CFTC. I am fully committed to that. I'm also committed to working with the CFTC to explore ways in which the agencies can achieve greater harmonization of Title VII rules and reduce unnecessary complexity as well as costs to both regulators and market participants.

Speaking more generally, cybersecurity is also an area where regulatory coordination is critical. Information sharing and coordination are essential for regulators to assess potential cyber threats and respond to a major cyberattack should one arise. We, at the SEC, are therefore working closely with our fellow financial regulators to improve our ability to receive critical information and alerts and react to cyber threats.

So those are the principles. I'll now discuss putting them into practice. There are some particular places where I see immediate opportunities to apply these principles. I'm going to go through this based on how we organize the SEC. So, I'll start with enforcement and examinations. We have a strong and active enforcement and examination program. I fully intend to continue deploying significant resources to root out fraud and shady practices in the markets, particularly in areas where Main Street investors are most exposed. Terms like "affinity fraud" and "microcap fraud" sound unremarkable and remote on paper, but they are sinister behaviors that strike at Americans' vulnerabilities.

Investors, Main Street investors, should know that the SEC is looking out for them. In this regard, we are taking further steps to find and eliminate from our system pump-and-dump scammers, those who prey on retirees, and increasingly those who use new technologies to lie, cheat, and steal. Deviation – watch the news tonight. (Laughter) Turning to more sophisticated participants in our markets, the Commission will continue to use its enforcement and examination authority to support market integrity. We are committed to making our markets fair, orderly, and efficient, and as liquid as possible. I know, I know that market professionals are critical to, and enhance, the operation of our markets. I also know that they know the rules and principles, and I expect them to adhere to them and be guided by them. Let me say it this way. You have a special place in our economy, don't take unfair advantage of it.

As a final comment on enforcement, I want to go back to cybersecurity. Public companies have a clear obligation to disclose material information about cyber risks and cyber events. I expect them to take this requirement seriously. I also recognize that the cyber space has many bad actors, including nation states that have resources far beyond anything a single company can muster. Being a victim of a cyber penetration is not, in itself, an excuse. But, I think we need to be cautious about punishing responsible companies who are nevertheless victims of sophisticated cyber penetrations. Said another way, the SEC needs to have a broad perspective and bring proportionality to this evolving area that affects not only investors, companies, and our markets, but our national security and our economic future.

Let me turn to capital formation. I've been vocal about my desire to enhance the ability of every American to participate in investment opportunities, including through the public markets. I also want American businesses to be able to raise the money they need to grow and create jobs. As I mentioned earlier, evidence shows that a large number of companies, including many of our country's most innovative businesses, are opting to remain privately held. Just yesterday I met with a broad group of businesses at different stages of capital raising and heard firsthand about the regulatory requirements and other considerations that factor into their decision to stay private or go public. Another deviation – I think there were nine of them. One public, two public considering it. If I could invest in companies, I would have wanted to invest in every one of those companies. And I want the American public to have the chance to invest in these types of growing companies. But one message was loud and clear. Private markets operate well in many sectors. In these areas, they offer a very attractive alternative to the public markets. I believe we need to increase the attractiveness of our public capital markets – this is key – without adversely affecting the availability of capital from our private markets which function quite well.

As an agency, we have learned a great deal while implementing the JOBS Act on-ramp for emerging growth companies, or EGCs. The JOBS Act allows issuers with roughly less than $1 billion in revenue to submit their draft SEC registration statements confidentially and phase in their reporting obligations gradually. This regime has had clear appeal to emerging growth companies. Since the enactment of the JOBS Act, approximately 87% of the IPOs that have gone effective were EGCs, and the vast majority of these companies have relied to some extent on the

confidentiality and gradation components of the JOBS Act.

Starting this past Monday, the JOBS Act approach is accessible more broadly. The SEC's Division of Corporation Finance non-public review process is now open to IPO registration statements from larger domestic and non-U.S. companies that do not qualify as EGCs. I hope that allowing these companies to submit their sensitive information on a non-public basis while the Commission staff reviews their draft offering documents will encourage them to find the prospect of selling their shares in the U.S. public markets more attractive generally, and at an earlier stage in their development.

My last point on capital formation is a reminder. It's a narrow one but it's one that can be valuable to companies and investors. There are circumstances in which the Commission's reporting rules, particularly our financial reporting rules, may require publicly traded companies to make disclosures that are burdensome to generate, but may not be material to the total mix of information available to investors. Issuers can request modifications to their financial reporting requirements in these situations. I want to encourage companies to consider whether such modifications may be helpful in connection with their capital raising activities and assure you that the SEC staff is placing a high priority on responding with timely guidance.

I'll turn to market structure. Regarding equity market structure, an enormous amount of thought – at the Commission, in Congress, and in the private sector – has been devoted to this topic.

While there are certainly challenging issues that merit further consideration, I believe it is time to shift our focus to action. One recommendation where there is broad consensus to proceed is the launch of a pilot program to test how adjustments to the access fee cap under Rule 610 of the Exchange Act would affect equities trading. Such a pilot should provide the Commission with more data access, more data to assess the effects of access fees and rebates, including "maker-taker" and other pricing systems, and really give us a sense on – small deviation – really give us a sense on whether, you know, liquidity is not free. Liquidity, you have to pay for, but whether we're getting the bang for our buck on liquidity, whether it's ending up in the right place. It's a question I have. I think it's a question a lot of people have, and we should think about it. I expect the Commission will consider a proposal of this type in the coming months.

The SEC has an Equity Market Structure Advisory Committee, known as the EMSAC. This committee has provided the Commission with valuable perspectives, including on the pilot, and many other issues. This committee's charter is set to expire next month. My hope is that the EMSAC's tenure will be extended into 2018. This is a segue to another point on market structure.

I think the time is right for the SEC to broaden its review of market structure to include specifically the efficiency, transparency, and effectiveness of our fixed income markets. As waves of Baby Boomers retire every month and need investment options, fixed income products, which are viewed as a stable place to store hard-earned money, will attract more and more Main

Street investors. Yet many of these investors may not appreciate that fixed income products are part of markets that differ significantly from the better-known equity markets.

I believe the Commission should explore whether these markets are as efficient and resilient as we expect them to me, and scrutinize our regulatory approach – are we doing a good job – and identify opportunities for improvement. To that end, I've asked the staff to develop a plan for creating a Fixed Income Market Structure Advisory Committee. Like the EMSAC, the Equity Market Structure Advisory Committee, this committee would be made up of a diverse group of outside experts who will be asked to give advice to the Commission on the regulatory issues impacting fixed income markets. I am pleased to note, in this regard, that Chairman Hensarling and Chairman Huizenga of the House Financial Services Committee and its subcommittee on Capital Markets, Securities, and Investment have called for a hearing on fixed income market structure, and I look forward to working with Congress on these issues.

I'll now turn to investment advice and disclosure to investors - the Fiduciary Rule. Another area that has been the subject of extensive study is the standards of conduct that investment professionals must follow in providing advice to Main Street investors. With the Department of Labor's Fiduciary Rule now partially in effect, it is important that the Commission make all reasonable efforts to bring clarity and consistency to this area. It is my hope that we can act in concert with our colleagues at the Department of Labor in a way that best serves the long-term interests of Mr. and Ms. 401k.

There's a lot of work to do, and this issue is complex. That should not deter us, and we are moving forward. In June, I issued a statement seeking public input on standards of conduct for investment advisors and broker-dealers. The Commission had last solicited comment in this area four years ago. Suffice it to say a lot has happened since then. I believe robust public comment can help us evaluate potential regulatory actions in light of current market realities and risks. And. any action will need to be carefully constructed, so it provides appropriate and meaningful protections, but it does not result in Main Street investors being deprived of affordable investment advice or products. I encourage the public to send us feedback and any data that may be helpful to us.

Let me turn to improving disclosure to investors. We have several initiatives underway to improve the disclosure available to investors. Last November, the SEC staff issued a report recommending ways to modernize and simplify Regulation S-K. These are our basic disclosure rules. This report also included recommendations on how to improve the readability of disclosure. The staff is making good progress on preparing rulemaking proposals based on this report for the Commission to consider.

The last subject I want to cover is resources to educate investors. No matter how robust our enforcement and examination programs, the reality is the SEC cannot be everywhere. The agency has exceptional tools that can help investors research, spot signs of fraud, and take action to protect themselves.

A priority for me is getting the wealth of information that the SEC has in its hands into the hands of Main Street investors, through whatever means can reach them. As an example, the staff has efforts underway to simplify and enhance the ability of investors to conduct online background searches on investment professionals and make informed decisions about whether to establish a financial relationship. In this regard, I have a short but important message for Main Street investors: the best way to protect yourself is to check out who you're dealing with, and the SEC wants to make that easier for you to do.

So let me conclude by saying that in my seventy days since joining the SEC, I've become aware of some of the challenges ahead. The Commission has no choice but to face any challenges – both the ones we know and those we will come to know – head-on. As we take that journey, I am fortunate to be surrounded by tremendously talented public servants. I am really, really impressed with the women and men at the SEC. I can't emphasize that enough. And I aim to apply a level of dedication and hard work that matches theirs. Thank you. (Applause)

QUESTION AND ANSWER PERIOD

CHAIRMAN TERRY J. LUNDGREN: Thank you very much, Chairman Clayton. We're honored that you chose the Economic Club of New York for your first public address in your role as Chair of the SEC. We are now going to move quickly into the Q&A portion of today's session. And to do that, we have two very able members of the Economic Club, starting with

Maria Bartiromo who is the anchor and Global Markets Editor of Fox Business Network and Fox News Channel, and Annette Nazareth, who is the partner of Davis, Polk & Wardwell, and a former SEC Commissioner herself. Maria, you have the first question.

MARIA BARTIROMO: Thank you. Thank you, Mr. Chairman, for talking with us this afternoon. My question is about corporate governance. There's a rapidly growing recognition of the adverse effects of short-termism. Will you take a different approach than the previous administration and reexamine the rules that facilitate short-termism and activism? For example, does the SEC promote short-termism by requiring quarterly results and not prohibiting companies from giving short-term future guidance? Will you, through policy, encourage long-term investing by changing the frequency of earnings reports or prohibiting companies from giving guidance for the next three-month period?

CHAIRMAN JAY CLAYTON: Wow! I should have filibustered. (Laughter) That's a great question. It's a terrific question. And on your specific recommendations, I don't have a comment. I do believe that our markets have all different types of perspectives. I do look to the long-term Main Street investor for guidance, but we benefit from all types of participants. But you identify an issue that is troublesome, and that is that if you ask the leadership of public companies how many days a month they spend on compliance and responding to shareholders, it's a lot. And I think by comparison, the amount of time spent in a compliance mode or a shareholder communication mode is substantially greater – three, four, five, six times, they're

not empirical studies, I'd love to have one – than a similarly situated private company would spend. And so if you think about that from what you want people to be doing when they have your capital, you want them to engage with you, but you also want them to work hard to put that capital to good use. And if they're spending a third of their time on things that are not putting that capital to good use, they're at a comparative disadvantage to companies that may not have those same burdens. So I hope that answers your questions. It is something that I think we should look to improve.

ANNETTE NAZARETH: Thank you again, Chairman Clayton, for your remarks today. I thought I would ask you about a topic that you did not mention in your prepared remarks, and that's the Foreign Corrupt Practices Act. As you well know, in 2011, you co-authored a paper on the FCPA and you discussed the then current approach to enforcement, and you talked about issues of overzealousness and you noted the impact on U.S. companies, the disproportionate impact on U.S. companies. So I was wondering if you anticipate any programmatic changes in the SEC's approach to the Foreign Corrupt Practices Act of whether you have ideas about coordinating with domestic or foreign, you know, regulators in the enforcement arena?

CHAIRMAN JAY CLAYTON: Thank you. It's a complex area. There are a number of things in your question that are great. Let me start by saying I've been lucky enough to work around the world and in places where people aren't as fortunate as we are. There is a strong – you can see academic studies, but you can see it tangibly when you're there – there's a strong correlation

between corruption and poverty and between corruption and income inequality. We should be doing what we can to combat corruption. I firmly believe that. The paper that I authored with my colleagues at the New York Bar had a key element to it. It said, should we reassess the SEC's or the U.S. government's unilateral approach to combating corruption? Corruption is, international corruption is by definition an international subject. And if the SEC and the DOJ, or let's just call it America, was playing one strategy and the rest of the world was not engaged in that same strategy, who was bearing the brunt of the costs of rooting out corruption? And if the rest of the world was not playing along, was it really having any effect? That's what the paper asked. I will tell you that in 2009, '10, '11, I don't think the rest of the world was playing along. I think if you ask people today, the rest of the world is playing along. And I think that's been a substantial improvement. And so I'm not going to, I don't think there's any specific change in mind set, but I do think we need to be mindful of these international issues of ensuring that there's international cooperation.

MARIA BARTIROMO: Mr. Chairman, the markets and many participants have applauded your efforts to cut out red tape and lower the regulatory burdens on, certainly small business and large as well. The administration is in the process of cutting red tape and regulations in financial services via changes to Dodd-Frank and yet registration statements, proxy statements have become long and virtually unreadable. For example, just the compensation disclosures and other disclosures are 30 pages long. Will you do a complete review of the disclosure rules?

CHAIRMAN JAY CLAYTON: The staff has a review underway. I do think we need to get back to materiality focusing on what investors should have to make informed investment decisions. As a lawyer, I always erred on the side of saying, well, if it could be material, we should include it. And that's the right approach, that's the right principled mind set. But I think anyone who looks at disclosure documents of today compared to 20, 25 years ago will ask themselves have we gotten anything for that doubling and tripling in size? We should be asking ourselves that question.

MARIA BARTIROMO: And are people reading them?

CHAIRMAN JAY CLAYTON: And are people reading them? And are they reading them when they make investment decisions?

MARIA BARTIROMO: Thank you Mr. Chairman.

ANNETTE NAZARETH: Finally, one of President Trump's core principles for regulating the U.S. financial system focuses on advancing American interests in international financial regulatory negotiations and meetings. It's essentially consistent with the "Put America First" agenda. How might implementation of this principle change the way the SEC participates in the international groupings that it's a member of such as IOSCO, or the Financial Stability Board? Do you see any changes as a result of that?

CHAIRMAN JAY CLAYTON: The people who participate in those groups are very high quality people. They're very committed, like I think the people in the U.S. are, to doing the right thing, which actually makes it easier to cooperate. You can sense the commitment in the room to getting it right. That said, I've had, I'll give you an anecdote, I had a very direct conversation with one of my counterparts and it was a very constructive conversation. The SEC's mission, we protect investors, efficient markets but we have a capital formation mandate. We need to look at whether what we're doing facilitates capital formation. This particular regulator had a similar mandate but no capital formation and a stability mandate. Well, you know, by definition then, there are probably things we are going to disagree on. I think that gives you the lens. But, you know, markets are global and if we're not cooperating as international regulators, we're making a mistake.

MARIA BARTIROMO: Do I have time for one more?

CHAIRMAN TERRY J. LUNDGREN: Time for one more.

MARIA BARTIROMO: Okay, here we go. I want to ask you about the corporate governance rules for some of the proxy companies, proxy advisory companies like an ISS. ISS and other proxy firms are not regulated. They do not have oversight, yet they have an enormous amount of influence. Some proxy advisory firms have just a few hundred people on staff, and they have to look at thousands and thousands of proxies. How will you deal with this?

CHAIRMAN JAY CLAYTON: Are you sure we have time for one more? (Laughter) No, it's a very good question. You know, and governance and how has shareholder participation and governance, how does it really happen? These are questions we need to ask ourselves. Do our rules facilitate appropriate shareholder engagement with our public companies? And when we have developments such as the increased influence of proxy advisory firms or similar firms, you know, does that influence give rise to questions we should look at? We should have our eyes open to these types of things.

CHAIRMAN TERRY J. LUNDGREN: We're done. (Applause) Thank you very much, Chairman Clayton. Very insightful and important mandate that we'll all look forward to following. And thanks, by the way, Maria and Annette, for your terrific questions. This does conclude our programming for the first half of the year for the Economic Club of New York, and we look forward to re-engaging in the fall. We have already got a dozen very strong programs lined up, including Bill Dudley of course, who is the Federal Reserve Bank Chair of New York. He will be presenting as well as CEOs from Walmart, IBM, and AT&T. So already a really good line up, and we look forward to beginning again in the fall. In the meantime, enjoy your lunch and have a good summer. Thanks everyone. (Applause)