

**Testimony before the Financial Services and General Government Subcommittee
of the U.S. Senate Committee on Appropriations**

**Jay Clayton
Chairman
U.S. Securities and Exchange Commission**

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Chairman Kennedy, Ranking Member Coons and Senators of the Subcommittee, thank you for the opportunity to testify today on the President's fiscal year (FY) 2020 budget request for the U.S. Securities and Exchange Commission (SEC).¹

It is an honor to appear before this Subcommittee again with my colleague, U.S. Commodity Futures Trading Commission (CFTC) Chairman Christopher Giancarlo. This is the fourth time we have testified together before Congress, and since he is planning on leaving the agency soon, I want to express my deep appreciation for his work on behalf of our markets, our investors and, importantly, our country. Over the past year, we and the staff of our respective agencies have collaborated on a number of issues to strengthen our markets, including developing and improving regulations for our swaps and security-based swap markets, preparing for the effects of Brexit and addressing issues raised by cryptocurrencies, initial coin offerings (ICOs) and similar products and technologies. In these and other matters on which we have worked together, Chairman Giancarlo has always had the interests of our country front of mind.

As a threshold matter, I would like to thank the members of this Committee for your support of the Commission's mission and its people. The funding Congress provided for the agency for FY 2019 positions the SEC to maintain effective oversight of our changing securities markets and to continue to pursue policies to benefit long-term Main Street investors, American businesses and our markets. The FY 2019 funding is allowing us to lift our hiring freeze, and we are in the process of improving our human capital, including through the targeted hiring discussed in our FY 2019 budget request. Additionally, the FY 2019 funding provides necessary resources to maintain and upgrade our information technology systems and enhance the agency's cybersecurity and risk management. I am committed to being a responsible and prudent steward of these resources and look forward to working with each of you on the agency's FY 2020 request during the congressional appropriations process.

FY 2020 Budget Request

To begin, I want to make it clear that our people—our human capital—are our most important resource. Over the past several years, they have moved the Commission forward in the face of ever-changing markets as well as well-known and emerging risks. A key principle of mine is to continue to invest in and upgrade our human capital. Staff compensation is the largest portion of our budget, and the most critical in order for the SEC to stay competitive in retaining

¹ The views expressed in this testimony are those of the Chairman of the Securities and Exchange Commission and do not necessarily represent the views of the President, the full Commission or any other Commissioner.

and recruiting top talent whose skills and expertise provide them with many employment choices.

The SEC's workforce of about 4,500 staff, located in Washington and across our 11 regional offices, permits the SEC to oversee, among other things: (1) over \$97 trillion in securities trading annually on U.S. equity markets; (2) the disclosures of approximately 4,400 exchange-listed public companies with an approximate aggregate market capitalization of \$34 trillion; and (3) the activities of over 27,000 registered entities and self-regulatory organizations. These registered entities and registrants include, among others, investment advisers, broker-dealers, transfer agents, securities exchanges, clearing agencies, mutual funds and exchange-traded funds (ETFs), and employ almost one million people in the United States.

For FY 2020, our request of \$1.746 billion, a 4.2 percent increase over the FY 2019 enacted levels, will allow the agency to carry out our mission to protect investors, maintain fair, orderly and efficient markets and facilitate capital formation. This funding level would support 4,694 positions, including 34 new positions. Along with the funding provided for 100 additional positions in FY 2019, the FY 2020 request will enable the SEC to fill approximately one-third of the approximately 400 positions lost due to the hiring freeze. The FY 2020 request also includes additional funding for information technology and cybersecurity upgrades to build on the agency's recent work to improve our systems and expertise. Finally, the FY 2020 budget request relies on the SEC having continued access to the Commission's Reserve Fund to fund multi-year information technology improvements, including those related to cybersecurity.

It is important to note that the SEC's funding is deficit-neutral. Any amount appropriated to the agency will be offset by private sector transaction fees. The current transaction fee rate is just over two cents for every \$1,000 in covered securities sales. In addition, the SEC has been a net contributor to the U.S. Treasury in ways that are not directly related to our appropriations. By law, companies pay a fee to the SEC at the time they register securities for sale. For FY 2019, the fee rate will be set at a level sufficient to collect \$660 million. A portion of these collections will be put into the Reserve Fund, while the remaining funds will be deposited in the general fund of the U.S. Treasury.

For FY 2020, the requested funding will enable the SEC to execute initiatives in our new 2018-2022 Strategic Plan, including continuing to invest in our human capital, modernizing key information technology systems and further strengthening our cybersecurity and enterprise risk management consistent with our multi-year information technology strategic roadmap. Our Strategic Plan for 2018-2022 outlines three goals that will guide the work of the SEC moving forward.² We have already made meaningful progress on each of these goals, and importantly, our FY 2020 request is calibrated to further these initiatives in the coming year.

Our first goal, which has been a priority of mine since I became Chairman, is focusing on the interests of our long-term Main Street investors. The past year has presented many opportunities for me, my fellow Commissioners and SEC staff to interact directly with investors

² See U.S. Sec. and Exch. Comm'n Strategic Plan: Fiscal Years 2018-2022 (Oct. 2018), available at <https://www.sec.gov/strategic-plan>.

from across the country. Those discussions allowed us to better answer the question we ask ourselves every day: how does our work benefit the Main Street investor? Each proposal or action we take is guided by that principle.

Our second goal—to be innovative and responsive—reflects the changing nature of our markets. As technological advancements and commercial developments have changed how our securities markets operate, the SEC’s ability to remain an effective regulator requires that we continually monitor the market environment and adapt our rules, regulations and oversight. This maxim applies to nearly every facet of what we do at the SEC. For example, since I arrived at the SEC, these principles have driven the establishment of a Cyber Unit in the Division of Enforcement (Enforcement or Division), a Fixed Income Market Structure Advisory Committee (FIMSAC), and more recently, our new Strategic Hub for Innovation and Financial Technology (FinHub).

Our third goal—elevating the agency’s performance through technology, data analytics and human capital—embodies our commitment to maintaining an effective and efficient operation. Maintaining a high level of staff engagement, performance and morale is critical to our ability to execute the SEC’s mission on behalf of Main Street investors. Our staff represents top talent in our field, and when we recruit, we look for candidates who can match this high standard for professional qualification and experience. We also are using technology, analyzing data and promoting information-sharing and collaboration across the agency to strengthen our cybersecurity and enterprise risk profiles, while also maintaining the work environment that has resulted in consistent high levels of employee satisfaction. With the support of the Committee, we are committed to continued investment in both new technology and human capital.

FY 2018 Review

Before I discuss our FY 2020 budget request in more detail, I would like to briefly provide an overview of our accomplishments over the prior fiscal year (FY 2018). Last year, I noted that the near-term Regulatory Flexibility Act agenda would be streamlined to increase transparency and accountability to the public and Congress, as well as to provide greater clarity to our staff, by including initiatives the agency could reasonably expect to complete over the next 12 months. During FY 2018, the Commission advanced 23 of the 26 rules on the near-term agenda, a good result on both a percentage basis (88 percent) and an absolute basis.³

In addition, the Commission responded to major events and changes in the broader regulatory landscape by advancing several other initiatives not in the original agenda. For example, we issued guidance to public companies about disclosures of cybersecurity risks and incidents.⁴ During FY 2018, the Commission also responded to a new congressional mandate from the Economic Growth, Regulatory Relief, and Consumer Protection Act by expanding a key registration exemption used by non-reporting companies to issue securities pursuant to

³ Over the past 10 years, the Commission completed, on average, approximately one-third of the rules listed on the near-term agenda.

⁴ See Press Release 2018-22, *SEC Adopts Statement and Interpretive Guidance on Public Company Cybersecurity Disclosures* (Feb. 21, 2018), available at <https://www.sec.gov/news/press-release/2018-22>.

compensatory arrangements⁵ and provided proactive relief for those investors and companies affected by Hurricane Florence.⁶ In addition, to facilitate more accurate, clear and timely communications between issuers and shareholders, the staff released guidance on how to approach near-term financial reporting questions resulting from tax law changes on the same day the bill was signed by the President.⁷

To be sure, statistics—such as an 88 percent completion rate—often fail to tell more than a narrow story. Main Street investors—the market participants we have at the forefront of our minds—will not assess our work by the number or percentage of rules and initiatives we complete, but rather will be looking at what our efforts substantively do for them.

While each of these regulatory initiatives is a key component of our agenda, I would be remiss if I did not note that a vast majority of the work of the SEC staff goes unheralded but is critical to the efficient functioning of our capital markets. From (1) reviewing tens of thousands of issuer filings and disclosures to (2) providing assistance, informal guidance and responding to daily questions from investors, issuers and other market participants to (3) collaborating with domestic and international counterparts to address issues related to events such as Brexit⁸ and the pending phase out of LIBOR to (4) the daily, dogged efforts of our investigative, litigation and examination teams, much of the SEC’s staff work is unseen by many but nonetheless a principal component to the success of America’s capital markets.

With that in mind, and using the goals in our Strategic Plan as guideposts, I would like to provide additional detail on a few of our recent initiatives and how our FY 2020 budget request will enable the SEC and its people to further the interests of our long-term Main Street investors.

Focusing on the Interests of Long-Term Main Street Investors

I have noted that my touchstone when considering issues before the Commission is the interests of long-term Main Street investors. The importance of well-functioning capital markets to Main Street investors’ financial goals—whether saving for retirement, a home, college or

⁵ See Press Release 2018-135, *SEC Adopts Final Rules and Solicits Public Comment on Ways to Modernize Offerings Pursuant to Compensatory Arrangements* (Jul. 18, 2018), available at <https://www.sec.gov/news/press-release/2018-135>.

⁶ See Press Release 2018-202, *SEC Provides Regulatory Relief and Assistance for Hurricane Victims* (Sept. 19, 2018), available at <https://www.sec.gov/news/press-release/2018-202>.

⁷ See Press Release 2017-237, *Commission Staff Provides Regulatory Guidance for Accounting Impacts of the Tax Cuts and Jobs Act* (Dec. 22, 2017), available at <https://www.sec.gov/news/press-release/2017-237>.

⁸ In addition to collaborating with domestic and international counterparts on Brexit-related issues, I directed the SEC staff to focus on the disclosures companies make about Brexit. We have seen a wide range of disclosures, even within the same industry. Some companies have fairly detailed disclosures about how Brexit may impact them, while others simply state that Brexit presents a risk. While many companies’ disclosures improved in their most recent annual filing, I would like to see more companies providing robust disclosure about how management is considering Brexit, and the impact it may have on the company and its operations, particularly the impact of a so-called “hard Brexit.” See also William Hinman, *Applying a Principles-Based Approach to Disclosing Complex, Uncertain and Evolving Risks* (Mar. 15, 2019), available at <https://www.sec.gov/news/speech/hinman-applying-principles-based-approach-disclosure-031519>

other endeavors—cannot be overstated. And perhaps more importantly, Main Street investors’ continued participation provides the lifeblood for our capital markets, as at least 52 percent of U.S. households are invested directly or indirectly in the capital markets.⁹ This represents tens of millions of Americans who are invested in our capital markets and make personal investment decisions—both direct investment decisions such as which stocks, bonds, mutual funds, ETFs and other securities to purchase or sell and indirect investment decisions such as whether to hire a broker-dealer or investment adviser. Many other Americans are also invested in or exposed to our markets through pension funds, insurance products and other intermediaries.

This level of retail investor participation stands out against other large industrialized countries. Other countries want to replicate it because such broad investor participation in our capital markets is a significant competitive advantage for our economy, and participation in our capital markets has made many Americans’ lives better and their retirements more secure. But this level of investor participation—which has been a decades-long endeavor among investors, issuers, the SEC and other market participants—should not be taken for granted.

Standards of Conduct for Broker-Dealers and Investment Advisers

One of the more important ways in which we can further the interests of our long-term Main Street investors is by enhancing and clarifying the standards of conduct and mandated disclosures for our two principal types of financial professionals—broker-dealers and investment advisers. My view is these standards should reflect what retail investors would reasonably expect of these financial professionals, while preserving access and choice for investors who prefer the “pay as you go” model for advice from a broker-dealer or a fee-based model from an investment adviser (or a combination of both types of arrangements), as well as preserving retail customer choice of the level and types of advice provided and the products available. Our standards of conduct rulemaking is years—perhaps decades—overdue, and of significant importance to a vast number of retail investors.

In April 2018, the Commission proposed for public comment a significant set of rulemakings and interpretations designed to serve Main Street investors that would: (1) require broker-dealers to act in the best interest of their retail customers; (2) reaffirm, and in some cases clarify, the fiduciary duty owed by investment advisers to their clients; and (3) require both broker-dealers and investment advisers to state clearly key facts about their relationship, including their financial incentives.¹⁰ This set of initiatives is intended to enhance investor protection by bringing the legal requirements and mandated disclosures of financial professionals in line with reasonable investor expectations.

Specifically, proposed Regulation Best Interest would enhance broker-dealer standards of conduct by establishing an overarching obligation requiring broker-dealers to act in the best

⁹ *Data Source:* 2016 Survey of Consumer Finances (SCF). The SCF is a triennial interview survey of U.S. families sponsored by the Board of Governors of the Federal Reserve System with the cooperation of the U.S. Department of the Treasury. See <https://www.federalreserve.gov/econres/scfindex.htm>.

¹⁰ See Press Release 2018-68, *SEC Proposes to Enhance Protections and Preserve Choice for Retail Investors in Their Relationships with Investment Professionals* (Apr. 18, 2018), available at <https://www.sec.gov/news/press-release/2018-68>.

interest of the retail customer when making recommendations of any securities transaction or investment strategy involving securities. Simply put, under proposed Regulation Best Interest, a broker-dealer cannot put her or his interests ahead of the retail customer's interests when making a recommendation. The proposal incorporates that key fiduciary principle and goes beyond and enhances the current suitability obligations applicable to broker-dealers under the federal securities laws. To meet this new requirement, the broker-dealer would have to satisfy specific disclosure, care and conflict of interest obligations, including a requirement to adopt policies and procedures reasonably designed to identify and disclose and mitigate, or eliminate, certain conflicts of interest arising from financial incentives.

Proposed Regulation Best Interest and its "best interest" standard draw upon fiduciary principles applicable in other well-known contexts, including those underlying an investment adviser's fiduciary duty, recognizing that, while their client relationship models differ, both broker-dealers and investment advisers provide recommendations and advice in similar contexts and in the face of conflicts of interest. In another part of our reform efforts, we proposed an interpretation reaffirming—and, in some cases, clarifying—the fiduciary duty that investment advisers owe to their clients. This proposed interpretation is designed to provide advisers and their clients with a reference point for understanding the obligations of investment advisers to their clients and, specifically, reaffirms that an investment adviser also must act in the best interest of her or his client.

While proposed Regulation Best Interest draws on fiduciary principles, the obligations of a broker-dealer under Regulation Best Interest and the obligations of an investment adviser pursuant to its fiduciary duty under the Advisers Act would differ in certain respects, reflecting the differing scope of the services, payment forms and other relationship terms offered by broker-dealers and investment advisers, respectively. For instance, aspects of the obligations applicable to broker-dealers under proposed Regulation Best Interest are more specific than those applicable to investment advisers and reflect the characteristics of the generally applicable broker-dealer model—transaction-specific recommendations and compensation.¹¹

While the generally applicable investment adviser model—ongoing, regular advice and services provided in the context of broad investment management with compensation based on the value of assets under management, a fixed fee or other arrangement—differs from the generally applicable broker-dealer model, in my view the key elements of the standard of conduct that would apply to broker-dealers under proposed Regulation Best Interest at the time that a recommendation is made would be substantially similar to key elements of the standard of conduct that applies to investment advisers pursuant to their fiduciary duty under the Advisers Act. It is my intention that, regardless of whether the retail customer chooses a broker-dealer or an investment adviser, the retail customer will receive recommendations (from a broker-dealer) or advice (from an investment adviser) that are in the best interest of the retail customer, and that do not place the financial professional's interests ahead of the interests of the retail customer.

¹¹ In these specific areas, the obligations of broker-dealers under proposed Regulation Best Interest are more prescriptive, consistent with the generally rules-based regulatory regime that applies to broker-dealers.

Finally, under our proposed rulemaking package, firms would be required to provide retail investors with a new, succinct disclosure form referred to as the “relationship summary” or “Form CRS.” As proposed, the relationship summary would highlight key aspects of broker-dealers and investment adviser relationships, including: (1) the principal types of services offered; (2) the legal standards of conduct that apply to each; (3) the fees the customer would pay; and (4) certain conflicts of interest that may exist. It also would include key questions for retail investors to ask their financial professional. I believe that the relationship summary will result not only in more informed retail investors, but also will drive competition by facilitating transparency and comparability of these key features of a relationship with a financial professional.

In order to hear first-hand from retail investors who will be directly impacted by our various rulemaking efforts, the SEC staff organized seven roundtables across the country to provide Main Street investors the opportunity to speak directly with me, my fellow Commissioners and senior SEC staff to tell us about their experiences and views on what they expect from their financial professionals. I had the opportunity to lead five of these discussions—in Houston, Atlanta, Miami, Denver and Baltimore—and attend another in Washington, D.C. These candid, experience-based conversations were incredibly valuable and are informing our work moving forward. The transcripts from these roundtables are included in our public comment file. We also invited investors to view samples of the proposed relationship summary to share their insights and feedback with the Commission by going to <https://www.sec.gov/tell-us>. In addition, our Office of the Investor Advocate engaged RAND Corporation to perform investor testing of the proposed relationship summary. The results of the investor testing were made available on the SEC’s website in order to allow the public to consider and comment on this supplemental information.¹²

The staff of the Division of Trading and Markets (Trading and Markets) and the Division of Investment Management (Investment Management) are reviewing all of this information, and the more than 6,000 comment letters,¹³ as they work diligently together to develop final rule recommendations.

Facilitating Capital Formation

Focusing on the interests of long-term Main Street investors also requires encouraging capital formation for emerging companies seeking to enter our public capital markets while maintaining, and in many cases enhancing, investor protections. Doing so provides greater investment opportunities for Main Street investors, as it is generally difficult and expensive for them to invest in private companies. As a result, Main Street investors may not have the opportunity to participate in the growth phase of these companies if the companies choose not to enter our public markets or do so only later in their life cycle. Additionally, it is my experience

¹² See Press Release 2018-257, *Investor Testing of the Proposed Relationship Summary for Investment Advisers and Broker-Dealers* (Nov. 7, 2018), available at <https://www.sec.gov/news/press-release/2018-257>.

¹³ See Comments on Proposed Rule: Regulation Best Interest, available at <https://www.sec.gov/comments/s7-07-18/s70718.htm>. Of the more than 6,000 comment letters, approximately 3,000 were unique letters.

that companies that go through the SEC public registration and offering process often come out as better companies, providing net benefits to the company, investors and our capital markets.

Since 2017, the Division of Corporation Finance (Corporation Finance) has led a number of regulatory actions to benefit public company capital formation.¹⁴ For example, Corporation Finance now accepts voluntary draft registration statement submissions for many securities offerings, including for initial public offerings (IPOs) and offerings within one year of an IPO, for review by the staff on a non-public basis, building on the successful confidential submission process established by the Jumpstart Our Business Startups (JOBS) Act.¹⁵ Additionally, earlier this year the Commission issued a proposal to expand the ability of companies that are contemplating raising capital to “test-the-waters” by engaging in communications with certain potential investors prior to or following the filing of a registration statement for an IPO.¹⁶ I have seen firsthand how this has benefitted emerging growth companies considering an IPO, as they are able to engage investors earlier to explain their business and obtain feedback in advance of a public offering. This also benefits investors and shareholders as companies are better able to determine the appropriate time for an offering and to more effectively size and price the offering.

Corporation Finance has several proposals on the horizon designed to encourage capital formation for emerging companies seeking to enter our public capital markets. These include amending the definition of “accelerated filer” that triggers Section 404(b) of the Sarbanes-Oxley Act of 2002, which requires registrants to provide an auditor attestation report on internal control over financial reporting. This proposal, which also builds on the success of the JOBS Act, should reduce the number of smaller companies that are required to provide the auditor attestation report while maintaining appropriate incentives and safeguards to ensure that such companies have appropriate controls over financial reporting.

Beyond our public markets, I expect the Commission to take a fresh look at the exempt offering framework to consider whether changes should be made to harmonize and streamline what can be fairly described as a patchwork approach. While Congress and the SEC have taken a number of steps to expand the options that small businesses have to raise capital, most notably in the bipartisan JOBS Act, there has not been a comprehensive review of our exemptive framework to ensure that the system, as a whole, is rational, accessible and effective. The staff is working on a concept release that I expect will bring to the forefront these and other topics on how we can better harmonize exempt offerings.¹⁷ Receiving input from investors, startups,

¹⁴ See Remarks on Capital Formation at the Nashville 36|86 Entrepreneurship Festival (Aug. 29, 2018), available at <https://www.sec.gov/news/speech/speech-clayton-082918>; see also Press Release 2019-38, *SEC Adopts Rules to Implement FAST Act Mandate to Modernize and Simplify Disclosure* (Mar. 20, 2019), available at <https://www.sec.gov/news/press-release/2019-38>.

¹⁵ See Press Release 2017-121, *SEC’s Division of Corporation Finance Expands Popular JOBS Act Benefit to All Companies* (June 29, 2017), available at <https://www.sec.gov/news/press-release/2017-121>.

¹⁶ See Press Release 2019-14, *SEC Proposes to Expand “Test-the-Waters” Modernization Reform to All Issuers* (Feb. 19, 2019), available at <https://www.sec.gov/news/press-release/2019-14>.

¹⁷ As we embark on this project, I believe there are several things we should consider. We should evaluate the level of complexity of our current exemptive framework for issuers and investors alike and consider whether changes should be made to rationalize and streamline the framework. For example, do we have overlapping exemptions that create confusion for companies trying to navigate the most efficient path to raise capital? Are there gaps in our framework that impact the ability of small businesses to raise capital at key stages of their business cycle? We also

entrepreneurs and other market participants who have firsthand experience with investing, raising capital and our regulatory framework is extremely important to make sure we get it right.

Another significant initiative for Corporation Finance and Investment Management is improving the proxy process. In November 2018, the SEC staff held a proxy roundtable to discuss: (1) the proxy solicitation and voting process; (2) shareholder engagement through the shareholder proposal process; and (3) the role of proxy advisory firms.¹⁸ I was pleased with this largely solutions-oriented event, which included a diverse group of panelists representing the views of investors, companies and other market participants. While we heard a wide range of views, we saw more agreement than disagreement, and I believe that we should act to improve each of these areas with an initial focus on the matters where there was broad agreement action is appropriate. The staff is looking at a number of issues that were discussed at the roundtable and submitted for public comment, and I have asked them to formulate recommendations for the Commission's consideration. On timing, it is clear to me that these issues will not improve on their own with time, and I intend to move forward with the staff recommendations, prioritizing those initiatives that are most likely to improve the proxy process and our markets for our long-term Main Street investors.

Each of these initiatives is designed to ensure that American businesses continue to have the ability to effectively raise capital, while maintaining, and in some ways enhancing, investor protections. Our FY 2020 request would provide resources to Corporation Finance to continue their efforts, including by adding a new position to Corporation Finance to assist with new capital formation policy and rulemaking initiatives. This would include the continuation of efforts to consider a scaled disclosure framework for smaller companies, disclosure modernization and simplification and anticipated recommendations arising out of our upcoming concept release on the exempt offering regulatory framework.

Beyond our policymaking divisions, the Commission recently acquired a powerful voice for small businesses and their investors—our first Advocate for Small Business Capital Formation, Martha Miller.¹⁹ Martha brings a wealth of experience and passion to the role and will be a proponent for American businesses and their investors. Martha has hit the ground running in building the office and engaging with many small businesses and their investors, including participating in several panels on entrepreneurship and hosting her first public town hall in Kansas City, Missouri in April. She also released a business plan providing insight into her office's roadmap for serving small businesses, including traveling to areas that traditionally have received less attention from investors.²⁰

should consider whether current rules that limit who can invest in certain offerings should be expanded to focus on the sophistication of the investor, the amount of the investment, or other criteria rather than just the wealth of the investor. And we should take a look at whether more can be done to allow issuers to transition from one exemption to another and, ultimately, to a registered IPO, without undue friction.

¹⁸ See November 15, 2018: Roundtable on the Proxy Process, available at <https://www.sec.gov/proxy-roundtable-2018>.

¹⁹ See Press Release 2018-304, *Martha Miller Named Advocate for Small Business Capital Formation* (Dec. 21, 2018), available at <https://www.sec.gov/news/press-release/2018-304>.

²⁰ See Office of the Advocate for Small Business Capital Formation Foundational Business Plan (Apr. 2019), available at <https://www.sec.gov/files/2019%20OASB%20Business%20Plan.pdf>

Our FY 2020 request will allow the SEC to expand the Office of the Advocate for Small Business Capital Formation (OASB), bringing its total staffing to nine positions so that it can pursue its mission and provide outreach, offer assistance, identify problems and unique challenges to raising capital for small businesses, including minority- and women-owned small businesses and small businesses affected by natural disasters, and give a stronger voice at the Commission to small businesses and small business investors. The request would also assist OASB in supporting the Advisory Committee on Small Business Capital Formation, which is designed to solicit ideas from a diverse group of professionals about ways to better facilitate small business capital formation. In this regard, I am very pleased to say that my fellow Commissioners and I recently announced the formation of that Committee, including its inaugural members, all highly accomplished individuals who are committed to entrepreneurship and growth and who, collectively, provide a wide range of expertise, experience and perspective.²¹

Enforcing the Federal Securities Laws

The interests of long-term Main Street investors require capital markets that are vigorously policed for fraud and other misconduct. The ongoing efforts by Enforcement to deter misconduct and punish securities law violators are critical to safeguarding millions of investors and instilling confidence in the integrity of our markets. The nature and quality of the SEC's enforcement actions during the last year speak volumes to the hard work of the women and men of the agency as they have made our capital markets a safer place for investors to put their hard-earned money to work.

As noted by Enforcement's Co-Directors, Stephanie Avakian and Steven Peikin, in the Division's Annual Report, our success is best judged both quantitatively and qualitatively and over various periods of time.²² Based on such an evaluation—and in my opinion by any measure—Enforcement has been successful over the past year. I can assure you that the Division will continue its vigorous enforcement of the federal securities laws and hold bad actors accountable, whether on Main Street or Wall Street.

To further our enforcement efforts on behalf of Main Street investors, in September 2017, the SEC announced the formation of a Retail Strategy Task Force (Task Force), which has two primary objectives: (1) to develop data-driven, analytical strategies for identifying practices in the securities markets that harm retail investors and generating enforcement matters in these areas; and (2) to collaborate within and beyond the SEC on retail investor advocacy and

²¹ See Press Release 2019-61, *SEC Announces Members of Small Business Capital Formation Advisory Committee* (Apr. 25, 2019), available at <https://www.sec.gov/news/press-release/2019-61>.

²² Relevant qualitative factors include, among other things, asking whether we are: bringing meaningful actions that target the most serious violations, pursuing individual sanctions in appropriate cases, obtaining punishments that deter unlawful conduct and returning money to harmed investors. See U.S. Sec. & Exch. Comm'n, Div. of Enforcement, *Annual Report: A Look Back at Fiscal Year 2018* (Nov. 2, 2018), available at <https://www.sec.gov/files/enforcement-annual-report-2018.pdf>.

outreach.²³ Each of these objectives directly impacts the lives of Main Street investors and involves collaboration among many divisions and offices. We anticipate that new data-driven approaches will yield significant efficiencies in case generation and resource allocation by targeting enforcement efforts where the risks to Main Street investors are the most significant. Although it has been operative for less than two years, the Task Force has already undertaken a number of lead-generation initiatives built on the use of data analytics.

Additionally, in my view, protecting retail investors means, whenever possible, putting money back in their pockets when they are harmed by violations of the federal securities laws. In FY 2017 and FY 2018, the Commission returned \$1.07 billion and \$794 million to harmed investors, respectively. Here, I will call out for commendation the Division's approach to the too-widespread practice of investment advisers placing retail investors in higher cost share classes of mutual funds when the same funds were available to those investors at lower or no cost, without adequately disclosing the practice or with disclosure that was inconsistent with the advisers' actual practices. In a little over a year, the Division's approach—which centered on self-reporting and cooperation—will result in the return of over \$125 million to retail investors.²⁴ Importantly, the resulting savings to retail investors from moving to the lower cost share classes will continue for years to come. We remain committed to this important Main Street investor-focused part of our work, and we will continue our efforts to return funds to harmed investors as promptly as practicable.

The FY 2020 request will provide critical resources to Enforcement, allowing the Division to add six positions to expand our capability to investigate and prosecute alleged misconduct involving actions that affect Main Street investors. These positions will bolster our Task Force and also provide further support to Enforcement investigators and litigators.

Examining SEC-Registered Entities

Our examination program, executed by the Office of Compliance Inspections and Examinations (OCIE), is another key area where our work directly protects the interests of Main Street investors. In December 2018, OCIE published its 2019 Examination Priorities, which reflect a continued focus on the SEC's commitment to protecting retail investors, including seniors and those saving for retirement.²⁵ In particular, OCIE has looked closely at products and services offered to retail investors, the disclosures they receive about those products and services and the financial services professionals who serve them. OCIE has also focused its attention on several other areas that present heightened risks, including: (1) compliance and risks in critical market infrastructure, such as exchanges and clearing agencies; (2) digital assets, including cryptocurrencies, coins and tokens; (3) cybersecurity; and (4) anti-money laundering programs.

²³ See Press Release 2017-176, *SEC Announces Enforcement Initiatives to Combat Cyber-Based Threats and Protect Retail Investors* (Sept. 25, 2017), available at <https://www.sec.gov/news/press-release/2017-176>.

²⁴ See Press Release 2019-28, *SEC Share Class Initiative Returning More Than \$125 Million to Investors* (Mar. 11, 2019), available at <https://www.sec.gov/news/press-release/2019-28>.

²⁵ U.S. Sec. & Exch. Comm'n, Off. of Compliance Inspections and Examinations, 2019 Nat'l Exam Program Examination Priorities (Dec. 20, 2018), available at <https://www.sec.gov/files/OCIE%202019%20Priorities.pdf>.

OCIE conducts risk-based examinations of SEC-registered entities, including broker-dealers, investment advisers, investment companies, municipal advisors, national securities exchanges, clearing agencies, transfer agents and the Financial Industry Regulatory Authority (FINRA), among others.²⁶ During FY 2018, OCIE conducted over 3,150 examinations, an overall increase of 11 percent from FY 2017. This includes a 17 percent coverage ratio for SEC-registered investment advisers—which increased 13 percent from FY 2017, even as the number of registered investment advisers increased by approximately 5 percent.²⁷ While OCIE will face challenges in sustaining this trajectory in FY 2019, OCIE will continue to leverage data analysis to identify potentially problematic activities and firms as well as to determine how best to scope the examinations of those activities and firms.

The FY 2020 request would allow us to restore five positions to OCIE, enabling it to bring on additional expertise of SEC-registered entities and continue its risk-based efforts to protect Main Street investors.

Investor Outreach and Education

The SEC promotes informed investment decision-making through education initiatives aimed at providing Main Street investors with a better understanding of our capital markets and the opportunities and risks associated with the array of investment choices presented to them. The Office of Investor Education and Advocacy (OIEA) spearheads these efforts and participation extends throughout our divisions and offices. In FY 2018, the SEC conducted over 150 in-person investor education events focused on various segments of the investing population, including senior citizens, military personnel, younger investors and affinity groups. In addition to in-person education events, OIEA developed informative, innovative and accessible educational initiatives.

We use a variety of channels to deliver information to investors. For example, we created a website to educate the public about frauds involving ICOs and just how easy it is for bad actors to engineer this type of fraud—our HoweyCoins.com mock website promoted a fictional ICO.²⁸ The website was created in-house, very quickly and with few resources. It attracted over 100,000 people within its first week. We also published a variety of investor alerts and bulletins to warn Main Street investors about other possible schemes and risks for fraud,

²⁶ In conjunction with OCIE’s examination activities, OCIE published a number of risk alerts to inform SEC-registered firms and investors of common compliance issues OCIE observed. Over the last year, OCIE risk alerts addressed topics ranging from transfer agent safeguarding of funds and securities to fee and expense compliance issues for investment advisers. These alerts provide OCIE’s views on ways to sharpen the identification and correction of potentially deficient practices, maximize the impact of our examination program and better protect the interests of Main Street investors.

²⁷ The number of investment advisers has increased from approximately 9,000 in 2005 to over 13,000 in 2018. In addition, in response to the Department of Labor Fiduciary Rule adopted on April 8, 2016 (vacated by the Fifth Circuit Court of Appeals in March 2018) it was reported that the broker-dealer industry, among other things, reduced service and advice to small retirement accounts and encouraged retail customers to move towards self-directed accounts and advisory accounts, including robo-advisors. The SEC will continue to monitor the effects of this trend on investor protection and market integrity more generally.

²⁸ See Press Release 2018-88, *The SEC Has an Opportunity You Won’t Want to Miss: Act Now!* (May 16, 2018), available at <https://www.sec.gov/news/press-release/2018-88>.

including certain investment schemes that use celebrity endorsements, self-directed individual retirement accounts, the risks in using credit cards to purchase an investment and the potential harm resulting from sharing their personal contact information with online investment promoters.

We also continued to promote our national public service campaign, “Before You Invest, Investor.gov,” which encourages investors to research the background of their financial professional. Our experience demonstrates that working with unlicensed promoters who have a history of misconduct greatly increases the risk of fraud and losses. In May 2018, we supplemented this information service with a new online search tool, the SEC Action Lookup for Individuals, or SALI.²⁹ This tool enables investors to find out if the individual he or she is dealing with has been sanctioned as a result of SEC action, for both registered and unregistered individuals. SALI continues to be updated on an ongoing basis, making it an ever better resource for Main Street investors. We are encouraged by the fact that unique page views on Investor.gov increased by 45 percent compared to FY 2017.

Additionally, SEC regional offices engage in investor initiatives in their local communities. For example, the San Francisco Regional Office has conducted extensive outreach to California teachers through its Teacher Investment Outreach Initiative. This project seeks to help teachers make informed decisions on investment portfolio options, fees and risk. Regional staff, many of whom have personal connections to the teaching community, created this initiative in response to learning about the limitations of the investment options (and related high fees and costs) offered to public school teachers under the defined contribution portion of their retirement plans.

More recently, as part of National Financial Capability Month, I released several videos in a new series, “Notes from the Chairman.”³⁰ These videos are based on my experiences traveling the country and meeting with Main Street investors. In these meetings, two common and related themes emerged, regardless of demographics and geography. Investors wished they (1) started investing in our markets earlier and (2) had known more about investing and financial affairs more generally earlier. These views were universal and deeply held and, while not entirely within the purview of the Commission to address, will continue to resonate with me—and I will continue to work to address them—during my tenure at the Commission.³¹

The FY 2020 request would permit expanded outreach to Main Street investors through the work of OIEA and the Office of the Investor Advocate, and to small business owners and investors through OASB. Further, SEC staff plans to conduct additional research to gain deeper insight into how different types of investors participate in our capital markets to benefit both our policymaking and investor education efforts.

²⁹ See Press Release 2018-78, *SEC Launches Additional Investor Protection Search Tool* (May 2, 2018), available at <https://www.sec.gov/news/press-release/2018-78>.

³⁰ See Tips for Main Street Investors from Chairman Jay Clayton (Apr. 2019), available at <https://www.sec.gov/page/investment-tips-chairman-jay-clayton>.

³¹ See CNBC, SEC chair Jay Clayton weighs in on America’s retirement crisis (Apr. 26, 2019), available at <https://www.cnbc.com/video/2019/04/26/sec-chair-jay-clayton-weighs-in-on-the-americas-retirement-crisis.html> (last visited Apr. 29, 2019).

Recognize Significant Developments and Trends in Our Evolving Capital Markets and Adjust Our Efforts to Ensure We Are Effectively Allocating Our Resources

Overseeing the Capital Markets

As our markets continue to evolve through technological advancements and other developments, the SEC staff must stay abreast of these changes to ensure that all investors, including our Main Street investors, have access to fair and efficient capital markets. Many of our trading markets have become data and algorithm driven and are populated by firms with extensive resources and expertise. Transparency is a bedrock of healthy and vibrant markets. It enhances monitoring and can energize competitive forces to benefit investors. Transparency is a key part of our efforts to ensure fair and efficient markets, particularly those with significant Main Street investor participation. We have taken significant steps over the past year to make our markets more transparent.

For example, in July 2018, the Commission adopted amendments to Regulation ATS that enhance the transparency requirements governing alternative trading systems, commonly known as “ATSs.”³² These amendments provide investors, brokers and other market participants—as well as the Commission—with increased visibility into the operations of these important markets for equity trading. Additionally, in November 2018, the Commission adopted amendments to Regulation NMS to provide investors with greater transparency concerning how brokers handle and execute customer orders.³³ Both of these sets of amendments will provide investors with significantly enhanced disclosures that will impact their ability to ensure best execution for their orders to buy and sell securities.

Further, in December 2018, the Commission adopted a transaction fee pilot for NMS stocks, which will provide the Commission with data to help us analyze the effects of exchange fees and rebates on order routing behavior, execution quality and our market structure generally.³⁴ In my view, this pilot will lead to a more thorough understanding of these issues, which will help the Commission make more informed and effective policy decisions in the future.

Our fixed income markets are also critical to our economy and Main Street investors, though, historically, less attention has been focused on these relative to the equity markets. With large numbers of Americans retiring every month and needing investment options, fixed income products attract more and more Main Street investors. Yet, many of those investors may not appreciate that fixed income products are part of markets that differ significantly from the equity markets. In November 2017, the Commission established the FIMSAC to provide diverse perspectives on the structure and operations of the U.S. fixed income markets, as well as advice and recommendations on fixed income market structure. The Committee has held five public

³² See Press Release 2018-136, *SEC Adopts Rules to Enhance Transparency and Oversight of Alternative Trading Systems* (July 18, 2018), available at <https://www.sec.gov/news/press-release/2018-136>.

³³ See Press Release 2018-253, *SEC Adopts Rules That Increase Information Brokers Must Provide to Investors on Order Handling* (Nov. 2, 2018), available at <https://www.sec.gov/news/press-release/2018-253>.

³⁴ See Press Release 2018-298, *SEC Adopts Transaction Fee Pilot for NMS Stocks* (Dec. 19, 2018), available at <https://www.sec.gov/news/press-release/2018-298>.

meetings and dozens of subcommittee meetings and has provided the Commission with six thoughtful recommendations on ways to improve our fixed income markets.³⁵

Turning back to the principle of transparency, in May 2018, new FINRA and Municipal Securities Rulemaking Board (MSRB) requirements regarding the disclosure of mark-ups and mark-downs on certain corporate and municipal bond trades with retail investors went into effect, and I am pleased that investors now have substantially greater transparency into the costs of participating in those markets. I believe this transparency will increase competition and reduce trading costs, all to the benefit of investors, including our Main Street investors who directly or indirectly hold approximately two-thirds of this market.

With respect to our security-based swap regime, the Commission has finalized many, but not all, of the security-based swap rules mandated by Title VII of the Dodd-Frank Act. The Commission has continued our efforts to lay out a coherent package of rules to finalize our statutory security-based swap rulemaking obligations, and I anticipate making significant progress in completing this work in 2019. As part of this effort, our staff has been actively engaged with our counterparts at the CFTC to explore ways to further harmonize our respective security-based swap rules with the swap rules developed by the CFTC to increase effectiveness and reduce complexity and costs. An important milestone of this work occurred in June 2018 when CFTC Chairman Giancarlo and I executed a memorandum of understanding (MOU) between our two agencies.³⁶ The MOU explicitly acknowledges where we have shared regulatory interests, including but not limited to Title VII, and reconfirms our commitment to work together to facilitate efficient markets for the benefit of all market participants.

Staying current with market trends and developments is essential to the SEC's ability to remain an effective regulator of our capital markets. The FY 2020 request would add four additional positions to Trading and Markets, which regulates the major securities market participants such as broker-dealers, transfer agents, securities information processors, securities exchanges and clearing agencies and oversees self-regulatory organizations such as FINRA. In particular, these positions would enable Trading and Markets to expand its expertise relating to fixed-income markets, Treasury markets, digital asset markets and other asset classes, as well as provide additional insight into trading firm operations. The request also includes one position for the Office of Municipal Securities to address municipal market transparency, including recommendations provided by the FIMSAC.

³⁵ See Fixed Income Market Structure Advisory Committee, available at <https://www.sec.gov/spotlight/fixed-income-advisory-committee>. FIMSAC's recommendations include the following: (1) the development of a pilot program to delay public dissemination for 48 hours of trades in any investment grade corporate bond above \$10 million and any high-yield corporate bond above \$5 million (requires FINRA rulemaking); (2) the formation of a joint SEC, FINRA and MSRB working group to review the regulatory framework for electronic trading platforms in corporate and municipal bonds; (3) the adoption of a comprehensive classification scheme for exchange traded products; (4) for the SEC to encourage the formation of an industry group to promote investor education and work towards the establishment of a centralized and widely accessible database of key ETF data; (5) that the SEC, in conjunction with FINRA, establish a new issue reference data service for corporate bonds that would be widely accessible on commercially reasonable terms; and (6) to permit principal trading with advisory clients in negotiated municipal securities offerings.

³⁶ See Press Release 2018-114, *SEC and CFTC Announce Approval of New MOU* (June 28, 2018), available at <https://www.sec.gov/news/press-release/2018-114>.

Finally, one of my most significant responsibilities is to participate in the Financial Stability Oversight Council (FSOC), which is tasked with identifying risks to the U.S. financial system. The Commission and its leadership also participate in the Financial Stability Board (FSB) and other international bodies. We rely significantly on SEC staff in these efforts, and in FYs 2019 and 2020 I intend to add additional structure to our efforts in these areas so that the expertise of the Commission, across our various divisions and offices, is more effectively brought to bear in these fora, particularly in the areas of market risk, market fragmentation, disclosure effectiveness, audit quality and enforcement.

Improving the Investor Experience and Modernizing Our Framework

Main Street investors have significant holdings in mutual funds and other investment companies. In 2018, over 100 million individuals representing over 57 million households, or almost 45 percent of U.S. households, owned funds (generally ETFs or open ended mutual funds).³⁷ Fund disclosures are especially important to these millions of Americans who invest in funds to help them reach personal financial goals, such as saving for retirement and their children's educations. Investment Management is leading a long-term project to explore modernization of the design, delivery and content of fund disclosures and other information for the benefit of investors. These initiatives are an important part of how the Commission can serve investors in the 21st century.

In June 2018, the Commission issued a request for comment on enhancing disclosures by mutual funds, ETFs and other types of investment companies to improve the investor experience and to help investors make more informed investment decisions (Fund Disclosure RFC).³⁸ The Fund Disclosure RFC seeks input from retail investors and others on how they use fund disclosures and how they believe funds can improve disclosures to aid investment decision-making. In order to facilitate retail investor engagement and comment on improving fund disclosure, the Commission has provided a short Feedback Flier on Improving Fund Disclosure, which can be viewed and submitted at www.sec.gov/tell-us.

Investment Management also led work on the Commission's recent proposal on offering reforms for business development companies and registered closed-end funds.³⁹ The proposed rule amendments would implement certain provisions of the Small Business Credit Availability Act and the Economic Growth, Regulatory Relief, and Consumer Protection Act. By making available to these funds the communications and prospectus delivery rules currently available to operating companies, the proposal would improve access to capital and facilitate investor communications by these funds.

³⁷ See ICI Research Perspective (Nov. 2018), available at <https://www.ici.org/pdf/per24-08.pdf>.

³⁸ See Press Release 2018-103, *SEC Modernizes the Delivery of Fund Reports and Seeks Public Feedback on Improving Fund Disclosure* (June 5, 2018), available at <https://www.sec.gov/news/press-release/2018-103>.

³⁹ See Press Release 2019-39, *SEC Proposes Offering Reforms for Business Development Companies and Registered Closed-End Funds* (Mar. 20, 2019), available at <https://www.sec.gov/news/press-release/2019-39>.

The FY 2020 request would allow Investment Management to build on these initiatives, including by providing four additional positions to bolster their expertise and oversight of products that receive significant investments from Main Street investors such as mutual funds, variable insurance products and ETFs, among other products.

Economic Analysis and Retrospective Review of Commission Rules

None of the efforts by our policymaking divisions and offices discussed above, including our work with the FSOC and the FSB, would be possible without the efforts of the economists in the Division of Economic and Risk Analysis (DERA). I have noted that the SEC is committed to performing rigorous economic analysis of our rules and has done so in each of the rulemaking initiatives I have described in this testimony and for each other major rule enacted in FY 2018. However, effective rulemaking does not end with rule adoption. Our Strategic Plan calls for reviewing Commission rules retrospectively to identify outdated rules that might not be functioning as intended in modern markets.

Our FY 2020 request would provide resources to hire two additional positions in DERA to enable further robust economic analysis and retrospective review of Commission rulemaking and allow DERA to fully support other divisions and offices in their regulatory and oversight responsibilities.

Evaluate the SEC's Performance by Enhancing Our Analytical Capabilities and Human Capital Development

Cybersecurity and Information Technology

Cybersecurity and minimizing cyber risks at the SEC continue to be top priorities, and the additional resources Congress provided in FY 2018 enabled us to upgrade our information technology infrastructure and strengthen our cybersecurity risk profile. The SEC and other agencies are frequent targets of attempts by threat actors who seek to penetrate our systems, and some of those actors may be backed by substantial resources. Recognizing the twin realities that electronic data systems are essential to our mission and that no system can ever be entirely safe from a cyber intrusion, it is incumbent upon us to continue to devote substantial resources and attention to cybersecurity, including the protection of personally identifiable information (PII). Over the past year, we have been focused on a number of areas for improvement, including with respect to information technology governance and oversight, security controls, risk awareness related to sensitive data, incident response and reliance on legacy systems—and much work remains to be done.

A key principle as a part of our review of our cybersecurity and enterprise risk profiles is to evaluate the data we take in, assess our regulatory and enforcement responsibilities, and limit the scope of that information to what is necessary to achieve those responsibilities. In particular, we are closely scrutinizing how we can reduce any potential exposure of PII contained in SEC systems, including EDGAR. In this regard, in April 2018, the Commission acted to eliminate the collection of social security numbers and dates of birth on a number of EDGAR forms where we

concluded that the information was not necessary to our mission.⁴⁰ Moreover, return copies of test filings are no longer stored within the EDGAR system. Additionally, the Commission recently implemented modified submission deadlines for filing non-public reports for registered investment companies that will allow the agency to receive and analyze the data while meaningfully reducing the sensitivity of that data at the time it is transmitted.⁴¹

The agency has also focused closely on its cybersecurity risk governance structure. We recently hired a Chief Risk Officer, Gabriel Benincasa, who will help coordinate our enterprise risk management efforts across the agency.⁴² We have worked to promote a culture that emphasizes the importance of data security and operational resilience throughout our divisions and offices. The staff has also been engaging with outside experts to assess and improve our security controls. For example, on a technical level, these efforts include the deployment of enhanced security capabilities, additional penetration testing and code reviews, investment in new technologies and experienced cybersecurity personnel and acceleration of the transition of certain legacy information technology systems to modern platforms. We will be taking additional actions in FY 2020 to further strengthen our cybersecurity posture. We will also continue to coordinate and partner with other federal agencies to identify and mitigate risks to our information technology environment and assets.

To date, the additional information technology and cybersecurity resources Congress has provided have allowed the SEC to make significant strides in our cybersecurity expertise and defenses. But these challenges are continuing to evolve, as the threat actors find new, innovative ways to carry out their attacks. As such, FY 2020 will be a critical year for the agency to follow through on strategic technology priorities, including a number of multi-year initiatives. The FY 2020 request seeks funding for information technology and cybersecurity, including funding to hire three additional staff positions to the Office of Information Technology to strengthen its expertise in new technologies and expand our security efforts against attacks by threat actors. The funding, including use of the Reserve Fund, will also enable the SEC to continue investments to strengthen the security of our systems and data, retire outdated legacy systems and develop new information technology systems and analytic tools to increase our effectiveness.

Human Capital

Returning to where I started, a critical part of our Strategic Plan, and inherent in our FY 2020 request, is investing in our current workforce and ensuring that the SEC can continue to build expertise in the areas most important to Main Street investors. The quality and character of the women and men who serve American investors in our headquarters and our 11 regional

⁴⁰ Amendments to Forms and Schedules To Remove Provision of Certain Personally Identifiable Information, Rel. Nos. 33–10486, 34–83097, IC–33077 (Apr. 24, 2018), available at <https://www.sec.gov/rules/final/2018/33-10486.pdf>.

⁴¹ See Press Release 2019-23, *SEC Modifies Timing for Filing Non-Public Form N-PORT Data to Align with Its Approach to Data Management and Cybersecurity* (Feb. 27, 2019), available at <https://www.sec.gov/news/press-release/2019-23>.

⁴² See Press Release 2019-24, *SEC Names Gabriel Benincasa as Its First Chief Risk Officer* (Feb. 28, 2019), available at <https://www.sec.gov/news/press-release/2019-24>.

offices are the reason I am confident that the resources Congress has provided to the SEC are well spent. They have faced new challenges head-on with professionalism and commitment to our shared cause. I often say that our people are our greatest assets—this is not simply a cliché but a recognition that without our skilled, dedicated staff, the SEC could not advance our tripartite mission to the benefit of our Main Street investors. I believe our FY 2020 request will ensure that the SEC continues to have a workforce known for its expertise and motivation to work for the benefit of Main Street investors and our markets.

Leasing

One final, important component of our FY 2020 budget request is support for the leasing of office space. The SEC is currently participating in the General Services Administration's (GSA) competitive procurement process for a successor lease for the SEC's New York Regional Office (NYRO) and our Washington, DC headquarters. Currently, the GSA expects to announce a contract award for the headquarters lease by the end of FY 2019, and an announcement for the NYRO lease award is expected in FY 2020. Working through GSA, the SEC extended the terms of the current headquarters leases to align with the anticipated FY 2024 start of the new headquarters lease. Additionally, as the outcome of GSA's competitive acquisition for NYRO may require moving to a new space, the FY 2020 request includes funding for the planning and execution of the movement of files, equipment and personnel from NYRO. None of these funds would be used for the operations of the SEC, and we have proposed appropriations language that provides a mechanism whereby any unused portion of these funds would be refunded to fee payers, or the Treasury general fund, depending on the source.

Conclusion

Thank you again for the opportunity to testify today on our FY 2020 budget request. I greatly appreciate this Committee's support of the SEC and stand ready to work with each of you this year to ensure that the SEC has the resources necessary to fulfill our mission to protect investors, maintain fair, orderly and efficient markets and facilitate capital formation. I look forward to answering any of your questions.