Ranking Member Brown
Opening Statement SEC Hearing 12.10.19

Thank you Chairman Crapo, and welcome Chair Clayton.

Over the past few years, in this Committee, we have seen the Trump Administration dismantle many of the protections we put in place after the last financial crisis, putting our financial system and hardworking families around the country at risk.

The SEC has flown under the radar, but often the agenda has been the same – taking Wall Street's side over and over, instead of standing with investors saving for retirement or college or a down payment.

Taken together, the SEC's latest actions are making it harder to hold corporate executives accountable to investors and hardworking Americans.

While I appreciate the Enforcement Division's initiatives, including those to protect teachers and military service members from fraud and misconduct in financial advice, you've done so much damage by adopting what you call "Regulation Best Interest". Under that rule, brokerage firms can merely disclose, but don't have to eliminate, firm-level conflicts.

It should be simple – investment firms need to work for the people they serve. Americans need to have confidence the professionals that they're trusting with their hard earned money are working for them, not scamming them to line the firm's own pockets. You could have simply followed Congress's guidance in the Dodd-Frank Act to create a uniform fiduciary standard for brokers and advisors, which would be the best way to give investors confidence that their interests come first. But you didn't.

And that's not the only part of Dodd-Frank you are working to undermine. Look at the SEC's proposal to amend the whistleblower program, which is one of the most successful programs created under Dodd-Frank. We need brave workers to stand up to corruption and abuse when they see financial companies scamming people or engaging in other illegal behavior.

The only way individual workers are ever going to able to stand up to powerful Wall Street firms is if we give them protection.

We've already seen a chilling effect from your proposal.

Each year since inception of the program, the number of tips has increased, in some years by more than 10 percent. But after your rule proposal in 2018 introduced a cap on whistleblower awards, the number of tips declined for the first time in 2019.

The proposed cap on awards raised so many alarm bells that you had to put out a statement to clarify. I know ‘whistleblower’ is a dirty word nowadays to some in this town. It always is to serial lawbreakers.

I don’t see how you can make significant changes to a successful program like this without understanding that the decline in tips is a result of your actions, and the environment this Administration has created, attacking rather than protecting those who speak out against abuse of power.

As the SEC continues to take fewer actions that hold the largest financial institutions accountable, we must encourage whistleblowers to identify misconduct wherever it exists and help uncover complex frauds.

The SEC’s recent proposed rules on proxy advisors and shareholder proposals are also clear examples of the Administration taking the side of corporate interests over Americans saving and investing for their future.

Both proposals make it more difficult for shareholders to hold corporate executives accountable.

The proposal on proxy advisors could make it harder for institutional investors to have timely access to independent research and analysis from the proxy advisory firms that they hire. The proposed rule would give corporations access to investors’ research before the public retirement systems, investment fund managers, and foundations who manage hardworking Americans’ money.

The SEC says the changes are necessary because of errors and inaccuracies, but it provided scant evidence of errors. Instead, the new rule would give companies a new tool to intimidate proxy advisers and threaten their independence.

The overhaul of the shareholder proposal rule would make it easier for corporate management to silence shareholders and avoid dealing with important issues critical to investors.

The amendments could stop proposals for votes on issues such as disclosure of corporate political spending, separating the roles of Board Chair and CEO, and non-discrimination policies.

I am disappointed in the direction you’ve taken these rules that have for decades allowed investors to hold management accountable, all while executives are further entrenching themselves and ignoring workers and shareholders.

Protecting workers’ hard-earned savings should begin with a simple concept: putting their rights first.

Mr. Chair, I hope that the SEC will remember that.

But over the last week we have had nearly all the financial regulators before the Committee—the Fed, the FDIC, the NCUA, and today the SEC – all defending the same policies that amount to a wish list for Wall Street and corporate interests. The President promised to look out for ordinary, hardworking people, but he and the people he has put in charge of these agencies betray those workers over and over and over.

Mr. Chairman, I'd like to offer for the record this letter from the Ohio Public Employees Retirement System, raising concerns about the SEC's rulemaking on proxy advisory firms.

Thank you, Chairman Crapo.

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