Opening Statement
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"Oversight of the U.S. Securities and Exchange Commission"
SEC Chair Jay Clayton
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Thank you Chairman Crapo, and welcome to Chair Clayton.

As I believe this will be the last Banking Committee hearing for this Congress, I would like to express my thanks and appreciation for the work of Senators Heitkamp, Donnelly, Corker, and Heller over the years.

Chair Clayton, we've discussed the SEC's enforcement program in previous hearings and in our recent meeting. As you've highlighted, the SEC has worked hard to return money to harmed investors. I agree that is an important goal, but enforcement can't begin and end with protecting wealthy investors.

Ten years ago today, Bernie Madoff was arrested and his giant Ponzi scheme was exposed. There's no doubt that Ponzi schemes still exist, and your enforcement report shows the SEC is focused on finding them and punishing the wrongdoers.

But, we also know that a decade ago, Bernie Madoff was far from the biggest threat to most families. It was Wall Street firms that had just wrecked our economy. And just as the SEC will continue to pursue Ponzi schemes, it must also continue to pursue complex cases against the big banks when they break the rules and threaten families' homes and savings.

The big banks have not turned into angels over the past ten years. Last month, German authorities conducted a two-day raid of Deutsche Bank's headquarters in a money laundering and tax evasion investigation.

Last year, both the Federal Reserve and New York State regulators imposed fines totaling more than five hundred million dollars on Deutsche Bank's U.S. entity, for anti-money laundering violations. And Deutsche Bank is not alone – similar problems persist at other banks.

Looking at your strategic plan, I frankly see a lot missing —there's nothing about stock buybacks, and nothing about excessive corporate debt.

Take a look at what has happen since the Republican tax overhaul. Since last year, corporations have announced more than **one trillion dollars** in stock buybacks.

To take one example, GM has spent more than 10 billion dollars on stock buybacks since 2015, and last month it announced it's laying off 14,000 workers and closing five plants, including the Chevy Cruze plant in Lordstown, Ohio. At the same time, it's expanding production in Mexico.

The priorities of these corporations are clear – buying back shares can boost a company's stock price, which can mean even bigger bonuses for corporate executives. Investing in a company's workers supports the long-term health of the company – but that's not what Wall Street rewards.

But there's nothing intrinsic to our economy about stock buybacks. The SEC rule facilitating buybacks was adopted 36 years ago, and since then, the use, size, and frequency of stock buybacks has increased dramatically.

My colleagues and I have asked you to take a hard look at that rule.

It is time to question whether it is too easy for companies to buy back their shares. The GM case shows us the risks to workers and communities when companies think only about short-term profits.

We should also be looking at the record levels of risky corporate debt and leveraged loans, and how that debt is packaged into collateralized loan obligations—the complex securities that allow investors to trade pools of loans.

The Federal Reserve and the OCC are looking at banks' exposure to leveraged loans, but they say the risks are manageable and they are not worried.

We've heard that one before – it was a little over ten years ago, before the economy came crashing down.

Leveraged lending and CLO investors include hedge funds, mutual funds, and other market participants under SEC oversight. As the shadow banking market plays a larger role in leveraged lending, watchdogs can't just focus on the big banks.

It's your job to worry when it seems like there is nothing to worry about. That's what consumers and investors expect, so that risks don't build up across the financial system.

The SEC needs to be closely watching this market—not just to make sure disclosures and credit ratings are adequate, but to complement the work of the banking regulators. We know the financial system has become more interconnected and that systemic risks are more likely.

Main Street cannot afford for you to stand by watching Wall Street greed grow out of control. And any "strategic plan" for any agency guiding our economy needs to focus on the American workers who drive growth – not just wealthy investors.

Thank you Mr. Chairman.