

Statement of Hester Peirce

Nominee to serve as a member of the Securities and Exchange Commission

Senate Committee on Banking, Housing, and Urban Affairs

October 24, 2017

Chairman Crapo, Ranking Member Brown, and members of the Committee, thank you for considering my nomination. It is an honor to be nominated by the President, alongside Professor Robert Jackson, to be a member of the Securities and Exchange Commission (SEC). I welcome the opportunity, if I am confirmed, to work to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation—the three interrelated and complementary aspects of the SEC’s mission.

I have spent nearly two decades working on financial regulation. I studied economics at Case Western Reserve University and law at Yale. After a judicial clerkship, I was an associate in the securities practice group of a large law firm. I then spent eight years at the SEC. I first worked as a staff attorney in the division that regulates mutual funds and investment advisers. As a counsel for Commissioner Paul Atkins, I was able to work on a broader array of issues. Following my time at the SEC, I had the privilege of serving on the staff of Senator Richard Shelby on this Committee. Now I am a Senior Research Fellow and Director of the Financial Markets Working Group at the Mercatus Center at George Mason University, where I have learned much from my colleagues’ economic and regulatory expertise.

I desire to return to the SEC because I believe that individuals, institutions, and innovation are important to our capital markets and the broader society.

Properly functioning capital markets enable our society to draw on each individual’s unique set of talents, experiences, relationships, and knowledge. An entrepreneur’s vision comes to life because we have markets that enable her to share that vision with others who have money to invest. Investors’ funds pay the salaries that unlock the potential of other individuals in society. The returns investors make are used to educate the next generation of entrepreneurs and employees.

Individuals trust their fortunes and futures to the capital markets because these markets have grown up within a robust institutional framework. Without strong institutions, people would not use the capital markets. An effective institutional framework establishes reasonable rules, fosters compliance, and swiftly pursues violations when they occur. It does all of these things with an unwavering commitment to due process. The SEC is a key part of our institutional framework. It is therefore incumbent on the SEC to lay out clear rules, enforce them diligently and impartially, and modernize them when necessary.

If regulation is appropriately flexible, innovation can bring new investors into the financial markets, lower prices, and improve the quality of financial products and services. Innovation forces existing companies to stay on their toes and pushes them aside when they fail to meet people’s needs. A regulatory structure that blocks new firms or prohibits innovation lets existing

companies grow complacent to the detriment of the rest of the economy. By contrast, a regulatory system that invites competition ensures that the capital markets work for Main Street.

I look forward, if I am confirmed, to working with Chairman Clayton, my fellow commissioners, and the SEC staff to implement, enforce, and modernize rules that support healthy, dynamic capital markets. Together we can ensure that the US capital markets work effectively for individuals and companies across this country, are supported by strong institutions, and accommodate innovation.

Thank you. I would be happy to answer your questions.