

Testimony of Hester Peirce
Nominee to be a Member of the Securities and Exchange Commission
Senate Committee on Banking, Housing, and Urban Affairs
July 21, 2020

Chairman Crapo, Ranking Member Brown, and members of the Committee, thank you for considering my nomination to be a member of the Securities and Exchange Commission. Having served as a Commissioner for two and a half years, I am honored that the President has nominated me to serve another term. If confirmed, I look forward to using the next five years—alongside the dedicated, experienced SEC staff—to unleash the power of our securities markets in order to brighten more children’s futures, build more Americans’ retirement nest eggs, transform more communities across the nation, and rebuild an economy weakened by COVID. I am delighted about the possibility of serving with Caroline Crenshaw, whose experience at the Commission, in the military, and in private practice would enrich our deliberations as a Commission.

I have spent the last twenty years working on financial regulation. Part of that time was spent working for Senator Shelby on this Committee, and more than half of that time has been at the SEC. The agency has been extremely productive under the effective leadership of Chairman Jay Clayton. I have enjoyed helping to carry out his regulatory, compliance, and enforcement agenda.

On the regulatory front, we have enhanced retail investor protection by, among other things, codifying a regulatory framework for exchange-traded funds, adopting a best interest standard for retail brokers, and streamlining variable product disclosures. We also have applied a benefit-cost lens to public company regulatory obligations, initiated changes to equity market structure so it can serve investors and companies of all sizes, and scaled regulatory requirements for small entities. We have worked—with urging from me, the ever vocal Midwesterner—to streamline the capital raising process for small companies and entrepreneurs all across the country, not just on the coasts. We also have provided temporary relief for firms adjusting to the work-from-home environment and to small businesses trying to raise funds to survive the COVID crisis.

An integral complement to our regulatory work is the Commission’s compliance function—which includes inspecting firms and engaging with them as they seek to apply the rules to their unique facts and circumstances. I have supported cooperation with other regulators and compliance personnel at registered entities to maximize our collective coverage and effectiveness. I also have advocated taking advantage of new technologies in overseeing the markets, with due consideration for legitimate concerns about data protection and over-surveillance.

On the enforcement side, we have brought charges against entities, large and small, and individuals for a wide range of securities violations. Most recently, we have gone after securities violators hiding behind purported COVID-19 cures. Human nature being what it is, there is no dearth of bad conduct. Consequently, I have worked to focus our enforcement resources where they can make the most difference for investors and our markets.

Collaboration with domestic and international colleagues runs through everything the Commission does. I had the opportunity to work with Commissioner Brian Quintenz of the Commodity Futures Trading Commission as we stood up our Dodd-Frank security-based swap regulatory regime. On the same issue, I cooperated with international counterparts to minimize market

disruption and conserve regulatory resources. As the Commission's representative on one of the Financial Stability Board's Standing Committees, I have supported sharing information and conducting joint analyses, but also have emphasized that decisions about how to regulate the U.S. markets need to be made here at home.

One concern I had going into the job was the difficulty regulatory agencies have dealing appropriately with innovation in and disruption of the industries they regulate. This problem is an institutional one—large bureaucratic organizations, whether public or private, do not handle change particularly well. I know, however, that the Commission can do better. If confirmed, in addition to continuing my work on strengthening the regulatory framework, I will redouble my efforts to create a more welcoming environment for innovation and new entrants. If the Commission takes up that challenge with the necessary seriousness and alacrity, our capital markets will remain dynamic, vibrant, and preeminent.

Thank you for considering my nomination, and I would be happy to answer your questions.