

SEC Chairman Announces 8 Core Principles

July 31, 2017 | [SEC, The GEE Blog](#)



**Jeanine
Kerridge**
Partner

In his first public speech since becoming the U.S. Securities and Exchange Commission (SEC) chairman, Jay Clayton shared his eight core principles that he indicates will guide his oversight of the agency, with an emphasis on the “Main Street” investor. This speech is significant because it provides insight into how the agency may balance benefits to investors against costs to the markets under the commission’s enforcement and regulatory powers. However, he also emphasized part of his plan to help individual investors is by increasing the public investments available to them. To that end, Clayton reminded companies considering IPOs that the JOBS Act benefit of submitting draft registration statements confidentially and gradually phasing in reporting obligations, previously available only to emerging growth companies, now applies to all companies seeking access to public capital. The core principles Clayton addressed in his speech are:

1. The SEC must equally emphasize all three parts of its mission to (1) protect investors, (2) maintain fair, orderly and efficient markets, and (3) facilitate capital formation
2. That mission is guided by what’s best for the Main Street investor – the 401(k), long-term investor
3. The SEC’s existing regulatory regime is sound and does not need major changes
4. Increased regulations have resulted in a decrease in publicly traded companies which could result in, as Clayton said, long-term “not good” economic impact
5. The SEC must evolve along with the market, including through use of technology, while also weighing the costs of regulatory change
6. The SEC must not only adopt rules but continue to review how those rules are functioning
7. Rules requiring companies to demonstrate compliance are part of the cost of new rules
8. The SEC must coordinate with other financial regulators, especially the Commodity Futures Trading Commission in regulating over-the-counter derivatives

With these remarks, the chairman made clear his focus is on “Mr. and Mrs. 401(k)” -- promising to punish fraud and announcing a plan for a Fixed Income Market Structure Advisory Committee to examine the fixed income market as “waves of Baby Boomers retire every month” looking for places to invest. We will continue to watch as the SEC issues more guidance in the coming months and implements these core principles to make the markets – for individuals and public investors – “as fair, orderly, and efficient – and as

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liquid – as possible.”

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