

**Testimony before the
Investor Protection, Entrepreneurship, and Capital Markets Subcommittee
U.S. House Committee on Financial Services**

“Capital Markets and Emergency Lending in the COVID-19 Era”

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June 25, 2020

Chairman Sherman, Ranking Member Huizenga and Members of the Subcommittee, thank you for the opportunity to testify today to highlight the U.S. Securities and Exchange Commission’s response to the effects of COVID-19 on our capital markets.¹ COVID-19 has had profound effects on our capital markets and our broader economy. At the outset of the pandemic, in the interest of saving as many lives as possible, we—all Americans—have undertaken, with remarkable spirit and selflessness, a massive restriction in how we interact.

Many of the economic impacts of COVID-19 are a result of the collective, full-mitigation, health-and-safety-first response that resulted in a sharp contraction in many aspects of our economy and increased volatility and uncertainty in our capital markets. Policymakers have responded to the most apparent and acute economic and market consequences with unprecedented monetary and fiscal policy actions. The Commission’s work has been and will continue to be an important factor in our nation’s response to and recovery from the current COVID-19 pandemic. I also want to commend Congress and our regulatory colleagues, especially the Federal Reserve and the Treasury Department, for these swift, resolute responses to our nation’s challenges.

More than half of American households are invested in our securities markets. The interests of these individuals—our long-term Main Street investors—are the primary lens through which we evaluate whether we are effectively advancing the SEC’s mission. The 4,500 women and men of the SEC are committed to protecting these investors and the integrity of our markets. The uncertainties caused by COVID-19 have not changed our perspective or our commitment.

From an operational perspective, the SEC’s efforts have centered, first and foremost, on the health and safety of our employees, the employees and customers of our registrants and individuals generally. Our health-and-safety-first approach framed our decision to begin shifting to mandatory telework in our Washington, DC headquarters and across our 11 regional offices in early March, and to date, the agency remains in a full telework posture with limited, mission-critical exceptions. Through this period of collective, national challenges, the Commission has remained fully operational and committed to our tripartite mission to protect investors, maintain

¹ The views expressed in this testimony are those of the Chairman of the U.S. Securities and Exchange Commission and do not necessarily represent the views of the President, the full Commission, any Commissioner or any other person.

fair, orderly and efficient markets and facilitate capital formation. The continued orderly operation of our securities markets over the past few months is a testament to the expertise of the dedicated women and men across the SEC, who have risen to the occasion and proven why their work is so important to the millions of Main Street investors and our markets. We recognize the importance of our mission to America’s investors and our markets and believe it is a privilege to serve them.

In the remainder of my testimony, I will summarize some of the SEC’s efforts over the past few months in response to the effects of COVID-19, including: (1) market monitoring and regulatory coordination; (2) guidance and targeted assistance and relief; (3) investor protection, education and outreach efforts; and (4) ongoing mission-oriented work of the Commission. My testimony also provides a brief summary of the SEC’s FY 2021 budget request and approach to resource allocation during these challenging times.

Market Monitoring and Regulatory Coordination

In times of economic stress and market volatility, a key focus for the Commission is orderly and fair market function. Consumers, the thousands of firms and entrepreneurs that are working to fight and respond to COVID-19—not to mention the state and local governments, hospital systems, transportation and public services that are critical to the response—all depend on continued access to financial services and markets. The rapid fiscal, monetary and financial regulatory response to market and economic effects of COVID-19 has been both remarkable and appropriate. I believe these efforts to preserve the flows of credit and capital in our economy have significantly mitigated the economic consequences of COVID-19.

Market Function

Functioning of fair and orderly markets is essential to investor protection, and the continued orderly operation of our funding markets and other capital markets has been and will continue to be an essential factor in driving an effective national health and safety response to COVID-19. Despite the extraordinary volumes and volatility we have seen in our securities markets over the few months,² at a high level, the “pipes and plumbing” of our securities markets have functioned largely as designed, and importantly, as market participants would expect. In other words, during this time of unprecedented stress, we have observed no systemically adverse operational issues with respect to our key market infrastructure. We recognize that functional

² For example, from the equities perspective, the ten highest days by notional volume or trade count—*of all time*—occurred in 2020. In 2019, the average daily volume was 7.0 billion shares per day; on the last day of February 2020, we observed the second most shares traded ever, 19.3 billion shares. Equities volatility has also been high. For example, the “VIX” Index provides an options market-based measure of expected future volatility. At the beginning of January 2020, the VIX value was 12.5. On March 16, it reached an all-time high of 82.7. The volume and volatility story is similar in the corporate and municipal bonds markets, where the average number of daily municipal bond transactions in mid-February was approximately 34,000 and increased to 50,000 transactions per day in March, reaching 75,000 per day on March 23. See Remarks to the Financial Stability Oversight Council (May 14, 2020), available at https://www.sec.gov/news/speech/clayton-remarks-financial-stability-oversight-council-051420#_ftn6 (SEC staff prepared the various statistics cited based on data from various sources, including the World Bank, Bloomberg, Financial Industry Regulatory Authority, Municipal Securities Rulemaking Board and the SEC’s Market Information Data Analytics System).

risks, including system and cybersecurity risks are ever present, and our staff are currently reviewing and will continue to review market function and whether additional improvements should be considered.

Market Monitoring

Staff across the SEC—including the Division of Trading and Markets, the Division of Investment Management, the Division of Economic and Risk Analysis and the Office of Municipal Securities—have been continuously monitoring our capital markets, including with respect to prices and price movements, capital flows and credit availability. In doing so, we have remained closely engaged with key market participants—including exchanges, clearing agencies, liquidity providers, public accounting firms and credit rating agencies—regarding market trends and developments and business continuity planning efforts.

Coordination has been central to these and other efforts. In late April, building on the Commission’s ongoing market monitoring and response work, the SEC formalized an internal, cross-divisional COVID-19 Market Monitoring Group to function as a focal point for managing and coordinating our efforts to both monitor and respond to the effects of COVID-19 on markets, issuers and investors and assist other regulators and public sector officials.³ In addition to the broad market-oriented work, we have also initiated work to: (1) identify, analyze and clarify interconnections across key segments of our financial markets with increased specificity; and (2) analyze the risks and potential procyclical effects of investment strategies and mandates that include or are subject to mechanistic rules, guidelines or restrictions on holdings of assets—for instance, by reference to ratings and downgrades.⁴ This work supports and complements similar efforts being undertaken by our domestic and international regulatory partners.

Regulatory Coordination

During these challenging times, the SEC has remained in close contact with our U.S. and international regulatory partners. At the SEC, we have long recognized that close and active coordination with other financial regulators and public sector officials—both domestic and foreign—is fundamental to the fulfillment of our mission. The dedication, cooperation and engagement with these partners has benefited our work at the SEC, including helping to ensure that trading, settlement, capital formation and the provision of credit continues to be as orderly, efficient and fair as practicable under the circumstances.⁵ This domestic and international engagement, including discussions concerning the innumerable linkages, interconnections and continually evolving dynamics between global banking, housing finance, commodities and other

³ See Press Release 2020-95, SEC Forms Cross-Divisional COVID-19 Market Monitoring Group (Apr. 24, 2020), available at <https://www.sec.gov/news/press-release/2020-95>.

⁴ See Statement on COVID-19 Market Monitoring Group—Update and Current Efforts (May 13, 2020), available at <https://www.sec.gov/news/public-statement/statement-clayton-kothari-covid-19-2020-05-13>.

⁵ For example, we have frequently sought and received guidance and assistance from our domestic regulatory partners, from which our efforts to facilitate market function and protect investors have benefitted immeasurably. We have also provided our expertise and perspectives on various responses to market developments, including, for example, capital markets advice concerning the design, establishment and potential impacts of funding, credit, liquidity and loan facilities.

markets and our capital markets has helped us identify areas of stress and vulnerability and potential mitigating actions.

Domestically, we have been engaged in regular—often daily—communication, coordination and information sharing with our fellow regulators and other authorities concerning risks and impacts resulting from COVID-19 on investors, companies, state and local governments and other issuers, and the financial system as a whole, including cybersecurity risks. This includes engagement with various personnel from the Department of the Treasury, National Economic Council, Federal Reserve Board, federal banking regulators and the Commodity Futures Trading Commission, among others. These efforts have occurred on both a bilateral and multilateral basis, including through participation in bodies such as the Financial Stability Oversight Council (FSOC) and the President’s Working Group on Financial Markets (PWG), as well as ad-hoc multi-agency efforts. Additionally, we have engaged with members of Congress, congressional committees and staff on COVID-19 issues, including by providing briefings on Commission operations, securities markets conditions, impacts on investors and various regulatory responses.

Internationally, we have worked closely on capital markets-related matters arising from COVID-19 with our foreign counterparts and international prudential banking authorities on a bilateral and multilateral basis. Bilaterally, we have been in close coordination with authorities across the world, and in these exchanges, we have shared market and regulatory insights, as well as experiences and expectations on a wide variety of market topics, including areas of risk that may warrant increased attention. We have also played an active role in the response efforts of various international multilateral organizations, including by assisting with the development of and contributing to work streams organized by the Financial Stability Board (FSB) and International Organization of Securities Commissions (IOSCO).⁶ These efforts have been focused on preserving orderly market function and decision-oriented analysis.

COVID-19 Related Guidance and Targeted Regulatory Assistance and Relief

The Commission and staff have been working to promptly provide guidance and targeted regulatory assistance and relief, where necessary or appropriate, to assist market participants in their efforts to continue business operations, including investor service operations, in the face of various challenges caused by COVID-19. Many of our actions have focused on operational issues, including facilitating the shift to business continuity plans that are consistent with health and safety directives and guidance.⁷ Other actions have involved targeted, conditional and temporary relief relating to filing deadlines that could be significantly affected by COVID-19, guidance to promote continued shareholder engagement—including through virtual annual

⁶ We have contributed, for instance, to multiple COVID-19 initiatives coordinated by the FSB’s Standing Committee on Assessment of Vulnerabilities (SCAV) and Standing Committee on Supervisory and Regulatory Cooperation, as well as IOSCO’s Financial Stability Engagement Group.

⁷ For example, we have worked with various market participants to help facilitate the move by securities exchanges to an all-electronic trading environment.

shareholder meetings—for companies and funds, and responses to questions from investment advisers on conducting business from temporary locations.⁸

The Commission has also provided targeted relief to assist small business access to capital during these uncertain economic times. For example, recognizing the important role of business development companies (BDCs) in capital formation, particularly in small and middle-market lending, the Commission recently provided temporary relief to assist BDCs in their ongoing operations and in making additional investments in small and medium-sized businesses affected by COVID-19.⁹ Additionally, based on feedback from the Small Business Capital Formation Advisory Committee, the Commission provided temporary, targeted and conditional relief to allow established small businesses access urgently needed capital in a timely and cost-effective manner through Regulation Crowdfunding, while continuing to provide appropriate protections for investors.¹⁰

A fundamental principle for the SEC and our capital markets has always been—and today is even more important than ever—the importance of issuers providing investors with financial and operational disclosures that are clear, high-quality and timely. Staff has been monitoring and providing guidance with respect to corporate and municipal filings and disclosures of U.S. issuers, as well as foreign companies listed in the United States. Additionally, we have been reminding issuers and others to continue to evaluate their obligations to make materially accurate and complete disclosures in accordance with the federal securities laws.

It is no surprise we have observed the presence of uncertainty regarding the financial and operating status of companies and municipal issuers, as well as their future prospects, and a resulting thirst for information from investors and the marketplace more generally. I believe that the timely disclosure of high-quality information—be it positive, negative or neutral, and be it definitive or subject to uncertainty in light of the circumstances—increases credibility and has a generally calming value that contributes to market function, and in turn, reduces the potential for systemic risk. In March and early April, we issued two public statements discussing the importance of corporate and municipal disclosures and urging issuers to provide investors with as much information as practicable regarding their current financial and operating status, as well as forward-looking information about their future operational and financial planning.¹¹ Earlier

⁸ For an overview of selected SEC response efforts to COVID-19, including guidance and regulatory assistance and relief, please see the SEC’s “Coronavirus (COVID-19) Response” webpage at <https://www.sec.gov/sec-coronavirus-covid-19-response>.

⁹ See Press Release 202-84, SEC Provides Temporary, Conditional Relief for Business Development Companies Making Investments in Small and Medium-sized Businesses, available at <https://www.sec.gov/news/press-release/2020-84>.

¹⁰ See Press Release 2020-101, SEC Provides Temporary, Conditional Relief to Allow Small Businesses to Pursue Expedited Crowdfunding Offerings (May 4, 2020), available at <https://www.sec.gov/news/press-release/2020-101>. Two of the Commission’s advisory committees, the Investor Advisory Committee and the Small Business Capital Formation Advisory Committee, recently convened special meetings—held virtually and broadcast live to the public—which provided the Commission with insight into the challenges faced by investors and small business during this time.

¹¹ See Statement on The Importance of Disclosure – For Investors, Markets and Our Fight Against COVID-19 (Apr. 8, 2020), available at <https://www.sec.gov/news/public-statement/statement-clayton-hinman>; Statement on The Importance of Disclosure for our Municipal Markets” (May 4, 2020), available at <https://www.sec.gov/news/public->

this week, the Division of Corporation Finance issued similar, updated guidance regarding second quarter earnings releases and other disclosures, and our Chief Accountant issued a statement on the continued importance of high-quality financial reporting for investors in light of COVID-19.¹²

Investor Protection, Education and Outreach

Investor protection is core to the SEC's mission. The SEC's Office of Compliance Inspections and Examinations (OCIE) and Division of Enforcement (Enforcement) remain fully operational and continue their robust efforts to protect investors.

OCIE has continued its efforts in examining registered entities for compliance with the federal securities laws, with a focus on the resiliency of critical market systems and verification of investor assets with financial professionals. Since mid-March, OCIE has supplemented its examinations with hundreds of outreach calls to registrants nationwide to assess the impact of COVID-19 on operational resiliency and business continuity planning. OCIE has also initiated numerous cause examinations based on information indicating potential fraud or investor harm and issued a number of risk alerts regarding issues LIBOR transition and observations regarding private fund advisers.¹³

Working with staff from across the agency and our regulatory counterparts, Enforcement has been actively monitoring our markets for frauds, illicit schemes and other misconduct affecting U.S. investors relating to COVID-19 and has dedicated significant resources to responding quickly to COVID-19 related misconduct. Since the spread of COVID-19 began, some companies have made potentially fraudulent or misleading claims related to access to testing materials, development of treatments and vaccines and access to personal protective equipment. To date, the Commission has issued over 30 trading suspensions where there have been questions regarding the adequacy and accuracy of information in the marketplace in connection with virus-related representations from issuers.

In many instances, after the Commission suspends trading in a security, Enforcement will continue to investigate whether an issuer whose stock has been suspended from trading or related bad actors were engaged in potential fraud or other misconduct, and the Commission has brought a number of enforcement actions against issuers and individuals alleging fraud based on

[statement/statement-clayton-olsen-2020-05-04](#). See also CF Disclosure Guidance: Topic No. 9: Coronavirus (COVID-19) (Mar. 25, 2020), available at <https://www.sec.gov/corpfin/coronavirus-covid-19>.

¹² See CF Disclosure Guidance: Topic No. 9A: Coronavirus (COVID-19) — Disclosure Considerations Regarding Operations, Liquidity, and Capital Resources (June 23, 2020), available at <https://www.sec.gov/corpfin/covid-19-disclosure-considerations>; Statement on Statement on the Continued Importance of High-Quality Financial Reporting for Investors in Light of COVID-19 (June 23, 2020), available at <https://www.sec.gov/news/public-statement/teotia-financial-reporting-covid-19-2020-06-23>.

¹³ See Risk Alert: Observations from Examinations of Investment Advisers Managing Private Funds (June 23, 2020), available at https://www.sec.gov/files/Private%20Fund%20Risk%20Alert_0.pdf; Risk Alert: Examination Initiative: LIBOR Transition Preparedness (June 18, 2020), available at https://www.sec.gov/files/Risk%20Alert%20-%20OCIE%20LIBOR%20Initiative_1.pdf.

COVID-19 related claims.¹⁴ Some of these COVID-related investment schemes have been part of alleged market manipulations seeking to dump the companies' stock into the market for purchase by unsuspecting investors.¹⁵ These investigations are continuing, with many proceeding at an accelerated pace. Enforcement also released a statement reminding market participants of their obligations with respect to material nonpublic information, especially during times such as these where material nonpublic information may be more prevalent and arise in less common contexts.¹⁶

In addition to enforcement actions, the SEC—led by the Office of Investor Education and Advocacy (OIEA)—continues its important education and outreach to Main Street investors. OIEA, along with Enforcement's Retail Strategy Task Force, has issued investor alerts to inform and educate investors about concerns related to recent market volatility and COVID-19-related schemes,¹⁷ as well as an alert warning investors of bad actors using CARES Act benefits to promote high-risk, high fee investments and other inappropriate products and strategies.¹⁸ OIEA and the SEC's 11 regional offices have also continued targeted outreach events to retail investors, including to seniors, service members and other potentially vulnerable populations.

The SEC has also been preparing for the upcoming implementation of Regulation Best Interest (Reg BI) and Form CRS. Reg BI establishes a new standard of conduct for broker-dealers when making a recommendation of any securities transaction or investment strategy (including account recommendations) to a retail customer. Reg BI and Form CRS, together with the interpretations adopted contemporaneously by the Commission, will bring the legal requirements and mandated disclosures for firms serving retail investors in line with reasonable investor expectations, while preserving access (in terms of both choice and cost) to a variety of investment services and products.

Over the past year, the Commission and staff have engaged extensively with market participants and retail investors, as well as FINRA and other regulatory partners, and firms have made considerable progress in aligning their operations and preparing for the requirements of Reg BI and the obligation to file and begin delivering Form CRS. Based on this engagement—and importantly, because the continued implementation of these conduct and transparency initiatives, individually and collectively, will significantly benefit Main Street investors—we

¹⁴ For a list of COVID-19-related trading suspensions and enforcement actions, see https://www.sec.gov/sec-coronavirus-covid-19-response#list_ref_3.

¹⁵ See e.g., Press Release 2020-131, SEC Charges Microcap Fraud Scheme Participants Attempting to Capitalize on the COVID-19 Pandemic (June 11, 2020), available at <https://www.sec.gov/news/press-release/2020-131>; Press Release 2020-128, SEC Charges California Trader Engaged in Manipulative Trading Scheme Involving COVID-19 Claims (June 9, 2020), available at <https://www.sec.gov/news/press-release/2020-128>.

¹⁶ See Statement from Stephanie Avakian and Steven Peikin, Co-Directors of the SEC's Division of Enforcement, Regarding Market Integrity (Mar. 23, 2020), available at <https://www.sec.gov/news/public-statement/statement-enforcement-co-directors-market-integrity>.

¹⁷ See Frauds Targeting Main Street Investors—Investor Alert (Apr. 10, 2020), available at https://www.sec.gov/oiea/investor-alerts-and-bulletins/ia_frauds; Look Out for Coronavirus-Related Investment Scams—Investor Alert (Feb. 4, 2020), available at https://www.sec.gov/oiea/investor-alerts-and-bulletins/ia_coronavirus (both updated June 17, 2020).

¹⁸ See COVID-19 Related Early Withdrawals from Retirement Accounts—Be Careful of Fraudsters and other Bad Actors Targeting Your Retirement Savings (June 3, 2020), available at <https://www.sec.gov/oiea/investor-alerts-and-bulletins/covid-19-related-early-withdrawals-retirement-accounts-be>.

believe that the June 30, 2020 compliance date for Reg BI and Form CRS requirements is appropriate.¹⁹

To help Main Street investors better understand Form CRS and its benefits, the Commission has established a new investor-focused webpage.²⁰ Additionally, I have highlighted areas where I believe may be necessary for firms to exercise increased care when making recommendations to Main Street investors—particularly under the current conditions—including rollovers and withdrawals from retirement plans, complex or risky products, COVID-related investments and special purpose acquisition corporations, or SPACs, and other companies with complex structures. As we proceed to the June 30 compliance date for Reg BI and Form CRS, and as the effects of the pandemic on our markets continue, the Commission will continue to focus on the interests of our Main Street investors, and we remain committed to enhancing the quality and transparency of their relationships with their financial professionals.

Ongoing Mission-Oriented Work of the Commission

Commission Rulemaking Agenda

While the agency is engaging on numerous COVID-19 initiatives as noted above, we have also continued our traditional mission-oriented agency functions, including rulemaking. Since the Commission began transitioning to telework status in early March, the Commission held two “virtual” open meetings and has continued to advance initiatives on the Regulatory Flexibility Agenda.²¹

¹⁹ See SEC Chairman Jay Clayton, “Confirmation of June 30 Compliance Date for Regulation Best Interest and Form CRS” (June 15, 2020), available at https://www.sec.gov/news/public-statement/clayton-compliance-date-regulation-best-interest-form-crs#_ednref7. To the extent that a firm is unable to make certain filings or meet other requirements because of disruptions caused by COVID-19, including as a result of efforts to comply with national, state or local health and safety directives and guidance, the firm should engage with us. In April 2020, the staff also noted that during the initial period following the compliance date, SEC examiners will be focusing on whether firms have made a good faith effort to implement policies and procedures reasonably designed to comply with Reg BI, while also providing an opportunity to work with firms on compliance and other questions. The Commission and its staff have provided a number of resources to assist firms in understanding the new requirements and working toward implementation. See SEC Chairman Jay Clayton, “Investors Remain Front of Mind at the SEC: Approach to Allocation of Resources, Oversight and Rulemaking; Implementation of Regulation Best Interest and Form CRS” (Apr. 2, 2020), available at <https://www.sec.gov/news/public-statement/statement-clayton-investors-rbi-form-crs>.

²⁰ See <https://www.investor.gov/home/welcome-investor-gov-crs>.

²¹ See U.S. Sec. and Exch. Comm’n Agency Rule List (Fall 2019), available at https://www.reginfo.gov/public/do/eAgendaMain?operation=OPERATION_GET_AGENCY_RULE_LIST¤tPub=true&agencyCode=&showStage=active&agencyCd=3235. As I have noted on a number of occasions, the Commission’s Regulatory Flexibility Agenda is now constructed to enhance transparency and accountability to the public and Congress, in addition to providing a focal point for coordination within the SEC. Since 2017, these agendas have embodied a collective effort, benefiting from the input of my fellow Commissioners, our division and office heads and many members of our staff on key questions, including: (1) what initiatives the agency could reasonably expect to complete over the next 12 months, and (2) of those initiatives, which ones would have the most positive impact on our Main Street investors and our markets.

For example, the Commission has adopted rules to: (1) enhance the standards applicable to SEC-registered central counterparties and central securities depositories;²² (2) implement congressional mandates to simplify the offering processes for closed-end funds and BDCs;²³ (3) reduce the burdens and costs for smaller issuers while maintaining investor protections through amendments to the accelerated filer and large accelerated filer definitions;²⁴ (4) improve the disclosures for variable annuities and variable life insurance contracts to help investors make informed decisions;²⁵ and (5) bring additional transparency, governance, oversight and financial accountability to the implementation of the Consolidated Audit Trail (CAT).²⁶ Additionally, as part of a broader, ongoing Commission effort to modernize the U.S. national market system to better meet the needs of investors, the SEC took a significant step by issuing an order requiring the submission of a plan to establish a new governance framework for the collection and dissemination of consolidated equity market data.²⁷

During this time, our staff has continued to receive and review comments, as well as engage with the public on pending rulemakings through teleconferences and other modes of communication. The Commission expects to continue to make progress on the other items on our regulatory agenda over the coming months.

Investments in Emerging Markets, Including China

The Commission also continues to focus on other issues important to investors, including increased exposure to investments in emerging markets, such as China. Investments in emerging markets entail significant disclosure, financial reporting and other risks for U.S. investors. While the U.S. securities laws and regulations applicable to emerging market companies listed on U.S. exchanges are in many cases the same as (or comparable to) the laws and regulations applicable to U.S. public companies, the practical effects can be substantially different as a result of various factors. For example, the inability of U.S. regulators, in many instances, to inspect for compliance and the difficulty of enforcing these rules and regulations can significantly weaken practical effects.²⁸ I believe the status quo has come to be unacceptable, and this is an issue that should be emphasized to investors—particularly our Main Street investors. I am pleased the

²² See Press Release 2020-86, SEC Enhances Standards for Critical Market Infrastructure (Apr. 9, 2020), available at <https://www.sec.gov/news/press-release/2020-86>.

²³ See Press Release 2020-83, In Response to Self-Executing Congressional Mandates, SEC Adopts Offering Reforms for Business Development Companies and Registered Closed-End Funds (Apr. 8, 2020), available at <https://www.sec.gov/news/press-release/2020-83>.

²⁴ See Press Release 2020-58, SEC Adopts Amendments to Reduce Unnecessary Burdens on Smaller Issuers by More Appropriately Tailoring the Accelerated and Large Accelerated Filer Definitions (Mar. 12, 2020), available at <https://www.sec.gov/news/press-release/2020-58>.

²⁵ See Press Release 2020-57, SEC Adopts Investor Disclosure Improvements for Variable Annuities and Variable Life Insurance Contracts (Mar. 11, 2020), available at <https://www.sec.gov/news/press-release/2020-57>.

²⁶ See Press Release 2020-114, SEC Adopts Amendments to the CAT NMS Plan to Improve Transparency and Financial Accountability (May 15, 2020), available at <https://www.sec.gov/news/press-release/2020-114>.

²⁷ See Press Release 2020-103, SEC Directs Equity Exchanges and Financial Industry Regulatory Authority to Improve Governance of Market Data Plans (May 6, 2020), available at <https://www.sec.gov/news/press-release/2020-103>.

²⁸ See Emerging Market Investments Entail Significant Disclosure, Financial Reporting and Other Risks; Remedies are Limited (Apr. 21, 2020), available at <https://www.sec.gov/news/public-statement/emerging-market-investments-disclosure-reporting>.

SEC staff will hold a roundtable on July 9 to explore ways to increase investor awareness of these risks and potential additional steps that can be taken to mitigate them.²⁹ I look forward to continuing to work with Congress and the PWG on this important issue.

Diversity, Inclusion and Opportunity

As the always important topic of racism, bias and racial injustice has become front of mind in our national discourse, I believe reaffirming our commitment to diversity, inclusion and opportunity at the SEC is of paramount importance. My many conversations with colleagues over the past few weeks on these critical topics have been personal and moving. These conversations—open, honest, respectful and supportive—I have had with individuals and groups, such as our Diversity Council, make it clear that, while we have made progress, the SEC as an organization wants to improve, and we recognize we should strive to identify and take actions that will drive sustainable progress. I greatly appreciate the leadership of Pam Gibbs and her colleagues in our Office of Minority and Women Inclusion (OMWI) for their work to facilitate dozens of meetings with divisions and offices across the Commission. Diversity, inclusion and opportunity are and must continue to be part of the fabric of our agency and that takes continued reflection and work from everyone involved.

While there will be many more initiatives in this area for years to come, I want to highlight a few recent efforts focused on enhancing diversity, inclusion and opportunity both at the SEC and in our capital markets more generally. In March 2020, the Commission released its first Diversity and Inclusion Strategic Plan, which will help guide the agency’s ongoing efforts to enhance diversity and inclusion at the SEC and promote diversity and inclusion within the entities the SEC regulates.³⁰ Last week, the Office of the Advocate for Small Business Capital Formation hosted the SEC’s 39th annual Government-Business Forum on Small Business Capital Formation, which included insightful panel discussions highlighting minority-owned and women-owned businesses and some of the challenges they face.³¹ Importantly, on July 16, the Asset Management Advisory Committee will hold a public meeting on diversity and inclusion in the asset management industry.

FY 2021 Budget Request

Congress’s support of the SEC through the FY 2020 enacted appropriation allowed the SEC to add a number of positions in key areas relating to enforcement and examinations, market oversight and outreach. The resources Congress has provided have also helped us better address our technology challenges, and we have applied these resources to a number of key initiatives designed to strengthen our cybersecurity risk profile, including efforts to modernize legacy systems and infrastructure and reduce our risk generally. These investments in technology, data analytics and market expertise have proven especially valuable in the SEC’s response to COVID-19.

²⁹ See Press Release 2020-116, SEC Staff to Host July 9 Roundtable on Emerging Markets (May 19, 2020), available at <https://www.sec.gov/news/press-release/2020-116>.

³⁰ See https://www.sec.gov/files/2020_Diversity_and_Inclusion_Strategic_Plan.pdf.

³¹ See Press Release 2020-133, SEC Announces Speakers for June 18 Small Business Forum: “Access to Capital: More Critical Now than Ever” (June 16, 2020), available at <https://www.sec.gov/news/press-release/2020-133>.

The SEC’s FY 2021 request of \$1.895 billion—a 4.4 percent increase over FY 2020 enacted levels—will allow the agency to better execute our mission and reflects the growing size and complexity of the markets we oversee.³² This request supports key SEC priorities in furtherance of the agency’s 2018-2022 Strategic Plan,³³ including: (1) facilitating Main Street investor access to long-term, cost-effective investment opportunities and expanding outreach to small businesses; (2) responding to continued evolution and innovation in our securities markets and meeting long-standing and emerging investor protection and oversight needs; and (3) assessing and securing our data footprint with a focus on cybersecurity.

With respect to COVID-19, the Commission’s general approach for allocating resources, oversight and rulemaking functions at this challenging time is premised on: (1) putting health and safety first; (2) maintaining a high level of operational effectiveness; and (3) continuing to allocate our resources in the best interests of investors and our capital markets, with investor protection and market integrity remaining front of mind. This approach has allowed us to work quickly and transparently to respond to the economic risks of COVID-19 while continuing our other mission-focused work. While responding to the COVID-19 pandemic has required the SEC to reallocate certain resources to meet urgent needs, we do not anticipate needing additional resources beyond our FY 2021 request to continue responding to the effects of COVID-19 while advancing our mission on behalf of investors.

Conclusion

Thank you for the opportunity to testify today on a sampling of the SEC’s work during this time and for Congress’s continued support of the SEC, its mission and, in particular, its people. I look forward to working with you to address the effects of COVID-19 on our economy and investors, and more broadly, to advance our mission to the benefit of our capital markets and our Main Street investors.

³² See Fiscal Year 2021 Congressional Budget Justification and Annual Performance Plan, *available at* <https://www.sec.gov/files/secfy21congbudgjust.pdf>.

³³ See U.S. Sec. and Exch. Comm’n Strategic Plan: Fiscal Years 2018-2022 (Oct. 2018), *available at* https://www.sec.gov/files/SEC_Strategic_Plan_FY18-FY22_FINAL.pdf.