

**Securities and Exchange Commission Investor Advisory Committee
Minutes of the Meeting on September 19, 2019**

The SEC Investor Advisory Committee (IAC) met on September 19, 2019, in a public meeting at the Securities and Exchange Commission's headquarters in Washington, D.C. The meeting convened at 9:30 a.m. and was broadcast live by webcast.

The following persons participated in the meeting:

Commissioners of the Securities and Exchange Commission

Commissioner Hester M. Peirce (morning only)

Commissioner Allison Herren Lee (morning only)

Advisory Committee Members¹

Anne Sheehan (Chair) (by telephone, afternoon only)

Craig Goettsch (Secretary)

Nancy LeaMond (Assistant Secretary) (morning only)

Allison Bennington

John Coates (by telephone, morning only)

Rick Fleming

Matthew Furman

Stephen Holmes (by telephone)

Paul Mahoney

Jennifer Marietta-Westberg

Lydia Mashburn

Mina Nguyen

Barbara Roper

Damon Silvers (by telephone, morning only)

Anne Simpson

Jerome Solomon

Heidi Stam

J.W. Verret

Susan Ferris Wyderko

MORNING SESSION

Welcome Remarks

Craig Goettsch, Secretary of the IAC, presiding in the absence of Chair Anne Sheehan and Vice Chair Elisse Walter, called the meeting to order. He began by paying tribute to Matt Furman, whose term would soon expire, and then invited the two SEC commissioners who were present to give opening remarks. Commissioners Peirce and Lee commented on the agenda and also thanked Mr. Furman for his service.

¹ Elisse Walter (Vice Chair) was absent.

Discussion Regarding Methods to Develop Better Disclosures for Investors

Ms. Roper introduced the topic and panelists, who spoke in the following order:

1. **Brenda J. Cude**, Professor, Department of Financial Planning, Housing and Consumer Economics, University of Georgia
2. **Yuhgo Yamaguchi**, VP, Design Strategy, Fidelity Labs, Fidelity Investments
3. **Dan Silverman**, Rondthaler Professor of Economics, Arizona State University; Research Associate, NBER
4. **Billy Kingsland**, Group Director, Brand Communication, Siegle+Gale

Ms. Cude offered six points to enhance disclosures to individuals who are consumers of financial services and products. These included adopting a goal of consumer empowerment, standardizing disclosures, focusing on the timing of disclosure delivery, and recognizing the importance of financial knowledge among consumers.

Mr. Yamaguchi emphasized the human-centered approach that Fidelity takes in designing its communications with retail investors.

Mr. Silverman discussed questions that regulators must face regarding disclosures and offered suggestions on how to move forward in their actual design. He noted that complex presentations result in making investors more risk-averse.

Mr. Kingsland emphasized the role of simplicity and spoke of his firm's processes in creating content.

A discussion among panelists and Committee members followed.

Approval of Minutes of the Previous Two Meetings (March 28, 2018, and July 25, 2019)

Members voted unanimously to approve the minutes of the meeting on March 28, 2018, and July 25, 2019.

RECESS

The Committee went into non-public administrative session at 11:34 a.m.

AFTERNOON SESSION

The public meeting resumed at 1:30 p.m.

Discussion Regarding Increased Leverage and Related SEC Regulatory Implications

Mr. Furman, Chairman of the Market Structure Subcommittee, introduced the topic and panelists, who spoke in the following order:

1. **Andrew O'Brien**, Head of Global Loan Capital Strategy, Managing Director, JPMorgan
2. **George S. Oldfield**, Principal Emeritus, The Brattle Group
3. **Elisabeth de Fontenay**, Professor of Law, Duke University
4. **Erik F. Gerding**, Professor of Law & Wolf-Nichol Fellow, University of Colorado Law School

Mr. O'Brien gave an overview of the size and structure of the leveraged loan market and their securitizations into Collateralized Loan Obligations (CLOs).

Mr. Oldfield suggested two areas for the SEC to look into: the role of rating agencies and the due diligence of mutual funds that invest in CLOs.

Ms. de Fontenay described the evolution of the U.S. loan market, highlighted potential areas of concern, and considered potential policy responses. She concluded that such responses will likely come from the Federal Reserve rather than the SEC.

Mr. Gerding recommended several actions for the SEC to undertake. For one, he recommended studying the liquidity and market structure of the CLO market and other complex asset-backed securities, with a focus on regulatory capital arbitrage. Mr. Gerding also recommended that the Commission help other financial regulators develop institutional mechanisms for sustained and deep collaboration in spotting and tracking financial risks.

A discussion with Committee members followed.

Subcommittee Reports

Mr. Goettsch asked for subcommittees reports. Mr. Furman, chair of the Market Structure Subcommittee, provided an update for his committee. Ms. Roper, chair of the Investor as Purchaser Subcommittee, provided an update for her committee. Ms. Stam, in the absence of the chair of the Investor as Owner Committee, described the work of that committee.

CLOSING

Mr. Goettsch described potential topics for the next public meeting. He adjourned the meeting at 3:09 p.m.