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S. HRG. 114–223

NOMINATIONS OF MATTHEW RHETT JEPPSON, LISA M. FAIRFAX, AND HESTER MARIA PEIRCE

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED FOURTEENTH CONGRESS

SECOND SESSION

ON

NOMINATIONS OF:

MATTHEW RHETT JEPPSON, OF FLORIDA, TO BE DIRECTOR OF THE U.S. MINT

LISA M. FAIRFAX, OF MARYLAND, TO BE A MEMBER OF THE SECURITIES AND EXCHANGE COMMISSION

HESTER MARIA PEIRCE, OF OHIO, TO BE A MEMBER OF THE SECURITIES AND EXCHANGE COMMISSION

MARCH 15, 2016

Printed for the use of the Committee on Banking, Housing, and Urban Affairs

Available at: http://www.fdsys.gov/

U.S. GOVERNMENT PUBLISHING OFFICE

99–694 PDF WASHINGTON : 2016

For sale by the Superintendent of Documents, U.S. Government Publishing Office
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NOMINATIONS OF MATTHEW RHETT JEPPSON, OF FLORIDA, TO BE DIRECTOR OF THE U.S. MINT; LISA M. FAIRFAX, OF MARYLAND, TO BE A MEMBER OF THE SECURITIES AND EXCHANGE COMMISSION; AND HESTER MARIA PEIRCE, OF OHIO, TO BE A MEMBER OF THE SECURITIES AND EXCHANGE COMMISSION

TUESDAY, MARCH 15, 2016

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 10:03 a.m., in room SD–538, Dirksen Senate Office Building, Hon. Richard Shelby, Chairman of the Committee, presiding.

OPENING STATEMENT OF CHAIRMAN RICHARD C. SHELBY

Chairman SHELBY. The Committee will come to order.

This morning, we will hear testimony on a nomination for the U.S. Mint and two nominations for the Securities and Exchange Commission. This panel of nominees, if confirmed, will have important responsibilities for the manufacturing and distribution of our currency as well as for overseeing our Nation's capital markets.

The Committee will first hear from Mr. Matthew Rhett Jeppson, who is nominated to be Director of the United States Mint. He has served as the Principal Deputy Director of the Mint since January 15, and before that was Acting Chief Operating Officer of the U.S. Small Business Administration. If confirmed, Mr. Jeppson would be responsible for overseeing the manufacturing and distribution of currency as well as collectible coins, national medals, and other precious metals. Mr. Jeppson, the Committee welcomes you this morning.

Both Ms. Fairfax and Ms. Peirce are nominated to be members of the Securities and Exchange Commission. Ms. Fairfax is a Leroy Sorenson Merrifield Research Professor of Law at the George Washington University Law School. Since 2009, she has served on the Executive Board and is the Director for Programs for the George Washington Center for Law, Economics, and Finance. She has previously served as a visiting professor at the Georgetown University Law Center as well as various roles at the University of Maryland School of Law. Ms. Fairfax has also previously worked

at a Washington, DC, law firm. She is a graduate of Harvard College and Harvard Law School.

Ms. Peirce is a Senior Research Fellow at the Mercatus Center at George Mason University and the Director of the Mercatus Financial Markets Working Group. Before joining Mercatus, Ms. Peirce served as Senior Counsel for securities issues on this Committee's staff, and prior to that, she served at the SEC as a Staff Attorney and Counsel to Commissioner Paul Atkins. Before that, she had clerked for Judge Roger Andewelt on the Court of Federal Claims and was an associate at a Washington, DC, law firm. Ms. Peirce earned her B.A. in economics from Case Western Reserve University and her J.D. from Yale Law School.

As SEC Commissioners, Ms. Fairfax and Ms. Peirce would be responsible for helping the SEC fulfill its mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation. The Committee welcomes you both and looks forward to the nominees' testimony.

Before we get into that, I would like to comment on a few other things.

The nominations update. Last week, the Committee voted to report out favorably the nomination of Adam Szubin to be Under Secretary of the Treasury for Terrorism and Financial Crimes.

We currently have 16 nominations pending before the Committee. Of those 16 nominations, seven are privileged, which allows them expedited floor consideration upon Committee certification of the receipt of paperwork. Of those seven privileged nominations, the Committee has transmitted to the floor a certification of receipt of nomination information for four individuals, for nominations for Directors of the Securities Investor Protection Corporation, John Menendez and Leslie Bains, and for nominations for Members of the Board of Directors of the National Association of Registered Agents and Brokers, Raymond Farmer and Heather Steinmiller. Certifying the receipt of paperwork for privileged nominations effectively clears them for floor consideration.

With respect to the other three privileged nominations before the Committee, we are awaiting a response from the Administration related to two additional nominees to the National Association of Registered Agents and Brokers and have not received the completed paperwork for a third nominee to this association.

With respect to others pending before the Committee, I have scheduled a markup for April 7 for the nomination of J. Neal Lerner to be Inspector General of the Federal Deposit Insurance Corporation and Amias Gerety to be Assistant Secretary of the Treasury. I expect to add other nominations to this markup, as well, including those before us today. However, I have excluded them from the notice at the request of the Ranking Member at this time.

Regarding the Fed nominations, as I have said before, I will not hold a hearing on the two nominations for members of the Federal Reserve Board of Governors until the President fulfills his duty under the law and nominates a Vice Chairman for Supervision. Section 1108 of the Dodd-Frank Act amends the Federal Reserve Act to establish this position, one of two Vice Chairmen, which is

responsible for overseeing the Fed's supervisory and regulatory activities.

I would remind you, this is no small role, given the Fed's unprecedented authority over our financial system granted in Dodd-Frank. Leaving the position vacant also deprives Congress of an important oversight tool, as the Vice Chairman for Supervision is statutorily required to testify before this Committee twice a year. I believe this position should have been filled long ago. It has now been almost 6 years since the enactment of Dodd-Frank. The President should obey the law and hold the Federal Reserve accountable for its actions.

Senator Brown.

STATEMENT OF SENATOR SHERROD BROWN

Senator BROWN. Thank you, Mr. Chairman, for holding today's hearing. Congratulations to the three of you as this process begins to move forward.

Government is only as good as the people who are entrusted with positions of leadership. I have been clear in my frustration with this Committee's failure to act on the many nominees for whom we are responsible. We have received 19 nominations over the past 15 months. We have acted in Committee on only 1 of those 19, and that one we did last Thursday. No other Senate committee failed to act on a nominee last year throughout calendar year 2015 except this one.

While a lazy or an uninformed observer might chalk this up to partisan bickering or the sort of thing that happens all the time, that is not really the case. Do not take my word for it, as Casey Stengel liked to say, you could look it up.

Posted on the Minority's Web site, this chart are spreadsheets of the actions of the Committee and the Senate on nominees over the past 15 years. The lowest share of nominees reported by the Committee was 81 percent, in part because three nominees arrived in late December. That 81 percent was during my first Congress, my first 2 years on the Banking Committee, in 2007 and 2008. There was a Democratic majority on this Committee and in the Senate. There was a Republican President. Yet, we confirmed 81 percent. That number would have been higher if those three nominees had not arrived so late. Our record to date is 26 percent, and just a few weeks ago, it was zero.

The lowest rate of confirmation of nominees during this period, from the 107th through the 114th Congresses, the lowest rate of confirmations was 80 percent. Confirmation means the Committee acts, the Senate acts. Our record on these 19 nominees is zero.

We should make progress on all the nominees pending before the Committee, not just the nominees before us today, but those who have been in limbo for 200 or 400 or even 900 days.

I know there are disagreements with President Obama's policies. That is natural. But he was elected the Chief Executive of our country twice. In fact, in the last century, only four Americans have received a majority of the popular vote twice, Dwight Eisenhower, Franklin Roosevelt, Ronald Reagan, Barack Obama. Only four human beings in our country have gotten a majority of the vote for President of the United States twice.

President Obama has the right to put qualified people in executive positions to carry out his policies and to enforce the law. It would be a mistake to adopt a wholesale policy of holding staff hostage for supporting the views of their boss.

That said, Mr. Chairman, I am pleased to welcome today's nominees. Mr. Matthew Rhett Jeppson has been nominated to be Director of the Mint. Ms. Lisa Fairfax and Ms. Hester Peirce have been nominated to be members of the SEC.

Our first nominee exemplifies public service. He has served our country since 1989 in active duty in the First Marine Division and then in the U.S. Marine Corps Reserves. Between 1995 and 1999 and again from 2001 through 2012, Mr. Jeppson held leadership positions within unified combat commands, the Marine Corps, and U.S. military forces in Afghanistan. In 2012, Mr. Jeppson joined the Small Business Administration to focus on veterans business development and served as Acting COO, and last year he became Principal Deputy Director of the U.S. Mint.

Eight years after the financial crisis, the importance of the SEC in monitoring financial markets, protecting investors, is only more obvious. We continue to learn that markets and large institutions are interconnected and increasingly complex.

Ms. Peirce has spent much of her career in public service, first at the SEC, then working on this Committee's Banking staff. At that time, Ms. Peirce saw the financial crisis unfold. I trust that experience will serve her well as the SEC finalizes Dodd-Frank rules and tackles the rest of its agenda, including Chair White's initiatives on mutual funds and market structure.

Ms. Fairfax brings an academic's expertise combined with a reasoned perspective to address the complex issues facing SEC. Her scholarship on the duties and responsibilities of corporate boards will be a valuable point of view when considering enforcement issues and the best way to achieve accountability.

In order to navigate an ever-changing financial market landscape, the SEC must work closely with other regulators here in the U.S. and abroad to make sure markets function well and that investors are protected. SEC Commissioners owe a duty to the public to achieve these goals. We need to ensure that SEC has the power and the resources to do that.

Thank you, Mr. Chairman.

Chairman SHELBY. Thank you, Senator Brown.

Will all the nominees rise and raise your right hand.

Do you swear or affirm that the testimony that you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. JEPPSON. I do.

Ms. FAIRFAX. I do.

Ms. PEIRCE. I do.

Chairman SHELBY. Do you agree to appear and testify before any duly constituted Committee of the Senate?

Mr. JEPPSON. I do.

Ms. FAIRFAX. I do.

Ms. PEIRCE. I do.

Chairman SHELBY. You may be seated.

All of your written testimony will be made part of the hearing record.

Mr. Jeppson, we will start with you, and you sum up what you want to say.

STATEMENT OF MATTHEW RHETT JEPPSON, OF FLORIDA, TO BE DIRECTOR OF THE U.S. MINT

Mr. JEPPSON. Thank you, Mr. Chairman, Senator Brown, and Members of the Committee. I am honored to appear before you today.

I would also like to thank the President for the trust he has placed in me by nominating me to serve as the 39th Director of the United States Mint.

Since January 2015, I have had the honor of serving as the Principal Deputy Director of one of our Nation's oldest and most venerable public institutions. The Mint was established early on in the life of our republic; coining money is one of the powers the Constitution explicitly grants to Congress.

I would like to begin my remarks by sharing how my personal story led me to the Mint and describing what qualifies me to become its next leader. Following that discussion, I will explain how the Mint is fulfilling its mission today and what we need to do to sustain the positive results we have produced for the American people.

Throughout my career, I have served our Nation in a variety of capacities. Prior to the Mint, I was Associate Administrator for Veterans Business Development and later Chief Operating Officer at the United States Small Business Administration. In those roles, I am proud of the significant strides we made to aid Veterans seeking to start small businesses.

Earlier in my career, I served as Director of State Purchasing in my home State of Florida, where I oversaw the implementation of a new electronic procurement system that saved the State government millions of dollars.

Each of these professional experiences has shaped me in important ways, but my greatest source of pride is my service in the United States Marine Corps. My career as a Marine, from those early days leading Marines in combat during Desert Storm, to my more recent service in Afghanistan and Europe, has given me the deepest admiration and respect for the Corps and its mission.

In January of this year, I retired from the Marine Corps after nearly 28 years of combined Active and Reserve service. Serving our Nation as a Marine has profoundly influenced who I am. It has given me a distinct approach to leadership and management which I will bring to the Mint, if I am confirmed.

David Rittenhouse, renowned American astronomer, inventor, clockmaker, and close friend of George Washington, was the first Director of the Mint. He held a deep appreciation for coin design as an artistic expression of our shared values.

Other American leaders have also taken great pride in our work. President Theodore Roosevelt shared Rittenhouse's belief that the way that we design our coins ought to reflect our shared heritage. He personally commissioned the redesign of American coinage in the early 20th century.

Mr. Chairman, the modern United States Mint is a lean, vibrant, and efficient organization. When I began my service at the Mint, one of the first things I set out to do was visit each of our facilities and visit with our employees. Their advice and ideas have helped me set priorities for the Mint. We must continue to invest in our people and enable them to have the skills they need to accomplish our mission and meet the coinage needs of the United States.

In 2016, our mission is more important than ever. Cash remains the most common method consumers use for payment, comprising 40 percent of transactions, according to a recent report by the Federal Reserve.

In fiscal year 2015, we shipped more than 16 billion coins, an increase of 24 percent from the previous year. Bullion coin sales were up more than 25 percent for fiscal year 2014, with American Eagle Silver Bullion Coin sales at their highest since the program started in 1986. Numismatic earnings were up more than 32 percent.

Even as our production needs have increased considerably, we have controlled costs. Last year, general and administrative costs associated with circulating coin production were down 9 percent. The unit cost of the penny was the lowest since 2008, the nickel the lowest since 2009, and the dime and quarter were at their lowest since 2006. Thanks to these strong financial results, we were able to transfer more than $550 million of seigniorage to the Treasury General Fund, which can be used to reduce the cost of the interest on the national debt. We also generated an additional $61 million in numismatic and bullion earnings, which were transferred to the General Fund for operational use.

Mr. Chairman, Members of the Committee, I believe the Mint reflects the very best of our Nation. Our motto, "Connecting America Through Coins", has real meaning. The design, themes, and subjects depicted on our coinage represent our shared values, history, aspirations, and culture.

If I am privileged to be confirmed by the Senate as the next Director of the U.S. Mint, I pledge to uphold the trust placed in me by you and the President. I appreciate this opportunity to speak with you today and look forward to your questions.

Chairman SHELBY. Ms. Fairfax.

STATEMENT OF LISA M. FAIRFAX, OF MARYLAND, TO BE A MEMBER OF THE SECURITIES AND EXCHANGE COMMISSION

Ms. FAIRFAX. Chairman Shelby, Ranking Member Brown, and Members of the Committee, thank you so much for giving me the opportunity to speak with you today. It is an incredible honor and privilege to appear before you as one of the President's nominees to be a Commissioner of the Securities and Exchange Commission.

Before I begin my remarks, I would like to briefly introduce my family members who are here with me. I am grateful to be joined today by my husband, Roger Fairfax, my three daughters, Fatima, Regina, and Nadia, my mother, Elizabeth White, my mother-in-law, Charlene Fairfax, my brother-in-law, Justin Fairfax, and my sister-in-law, Jennifer Fairfax. I have a large extended family.

[Laughter.]

Ms. FAIRFAX. And I want to thank all of them, as well as all of my friends, for their incredible and continued support.

I also would like to congratulate Hester Peirce, who like me is here today as a nominee to serve on the Commission.

I sit before you today because I believe deeply in the importance of robust and healthy securities markets. I also believe deeply in the SEC's three-part mission to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. I am honored and humbled by the prospect of potentially serving the Nation and its investors alongside the Chair, the other Commissioners, and the many staff members who work tirelessly to support the vital work of the SEC.

As a law professor, over the last 15 years, I have had the privilege of teaching corporations and securities law to the next generation of practitioners, judges, and regulators, so that they can understand the increasingly complex world in which companies must operate, markets must perform, and regulators must monitor.

My teaching, along with my research and writing in these areas, have given me a deep understanding of the issues confronting the SEC, as well as a strong desire to help tackle those issues head-on. My research and work with organizations such as the American Bar Association and FINRA have taught me the importance of engaging a variety of different, diverse perspectives when seeking to develop solutions to complex problems. I look forward to such engagement if I am fortunate enough to be confirmed.

Importantly, I believe that the SEC's three-part mission is more than a statement. It is a set of guiding principles that should shape every aspect of the agency's activities. It is also a set of principles that must work together.

I believe the SEC's work must be aimed at ensuring that investors are protected at all times and that investors have confidence in the markets and the financial system. The SEC also has a responsibility to facilitate access to needed capital for all participants in the market, from the corporation and small business owner in need of cash and credit, to the individual investing to support a family, finance a child's education, or ensure a comfortable retirement. And all of these participants need assurances that their capital is safe and secure, which is why the SEC has a responsibility to maintain markets that are orderly, efficient, and fair. Everyone needs to play by the same rules and there must be strong repercussions for those who break them.

Thank you again for the opportunity to appear before you. If I am confirmed, I will work tirelessly to maintain the confidence that the President, this Committee, and the Senate will have shown in me. I look forward to answering any questions you may have.

Chairman SHELBY. Ms. Peirce.

STATEMENT OF HESTER MARIA PEIRCE, OF OHIO, TO BE A MEMBER OF THE SECURITIES AND EXCHANGE COMMISSION

Ms. PEIRCE. Chairman Shelby, Ranking Member Brown, and Members of the Committee, thank you for the opportunity to be here today as one of President Obama's nominees for the SEC. It is a particular privilege to be here and to be considered along with Professor Fairfax.

My desire to serve at the SEC stems from a belief that the capital markets unlock people's potential. Investors are able to build

their retirement nest eggs, their downpayments, and their children's education funds through the capital markets. And vibrant capital markets are able to find and fund individuals and companies with ideas that can enrich our communities, that can enhance our Nation's prosperity.

This belief in the value of the capital markets stems from lessons learned at the Peirce family dinner table, in classrooms at Case Western Reserve and Yale, and then from colleagues and mentors throughout my career. In securities law, I found a way to combine my undergraduate degree in economics, my law degree, and my childhood hobby of plotting stock prices.

When I began at the SEC, I was a Staff Attorney in the Division of Investment Management, where my job was to write rules for mutual funds and investment advisers. After that, I served on the staff of Commissioner Paul Atkins. And then, after my 8 years at the SEC, I had the honor of serving on the staff of this Committee for then-Ranking Member Shelby. In all of these positions, I learned the important role that strong, carefully crafted, and well enforced rules play in maintaining vital capital markets and in protecting investors.

At the Mercatus Center, I am surrounded by colleagues who are committed to effective regulation and to sound regulatory process. I have learned much from their careful scholarship. And I have also learned much from my colleagues on the Investor Advisory Committee at the SEC, where we work to educate, empower, and protect investors. I would welcome the opportunity to apply all of these lessons at the SEC to protect investors, to uphold the integrity of our financial markets, and to facilitate innovation in economic growth.

Thank you for the honor of appearing before you today and I look forward to answering any questions.

Chairman SHELBY. I will direct this question to both nominees to the SEC. The U.S. capital markets are the envy of the world, and to maintain this standing, I believe that regulators should do everything they can to ease the regulatory burdens on American businesses while ensuring investor protection. As part of this, regulators and Congress, I believe, should review rules and regulations in order to understand their effect on the markets and the economy and to streamline them appropriately.

In your opinion, how important is economic analysis as part of rulemaking, and second, do you agree that regulators should do retrospective reviews of rulemakings? What areas of security laws would benefit from such reviews?

Ms. Peirce, we will start with you, go right to left.

Ms. PEIRCE. I certainly believe that economic analysis is a very important tool in the toolbox of regulators. It is a way for them to identify a problem that they are trying to fix and then to look at alternative solutions to those problems to try to figure out which solution will be the most effective for each problem. And then to anticipate what the unintended consequences might be of the particular solution.

It is also important to set out, when you adopt a regulation, to set out metrics to measure whether or not the regulation is successful in achieving those objectives, and that gets to your point

about retrospective review, which I think is tremendously important. You always want to go back and look and see whether the rules are working as intended.

I think one area where that is particularly called for at the moment is in equity market structure, where we have built up rules over many years, and I think a lot of folks are looking and saying, how well are the rules working, and that is an area I would like to be involved in if I were confirmed.

Chairman SHELBY. Ms. Fairfax.

Ms. FAIRFAX. Thank you so much for your question. I, too, think that economic analysis is very important. I think it is important because in the context of rulemaking, we need to make sure that we understand the costs and benefits of rules that are being created, and economic analysis is one of those tools, as well as many others, that should be utilized to make sure that everyone is properly thinking through the process and impact of the rules that are being created.

With regard to retrospective review, I think, absolutely, that it is important, as well. I think it is very important to think about the cost and benefit, but, obviously, you are regulating in the face of uncertainty and things change in the regulatory environment, which means that sometimes you will have unintended consequences of rules. Sometimes, you will have metrics and goals that you set and then you will realize as you move through the regulatory process, and certainly as the rules get implemented, that what you thought would occur does not, in fact occur. Since the purpose is to try to get things right, and I think looking back and understanding whether or not you got things right is very much important.

Chairman SHELBY. In the area of enforcement, I believe enforcing the law is important to maintain confidence in our markets and to deter misconduct. And while the SEC does not have criminal authority, it does have civil enforcement authority, which is a powerful tool.

To both of you, can you describe your views on the SEC's enforcement program as well as your views on bringing actions against individuals and not just regulated entities, when appropriate. Ms. Peirce.

Ms. PEIRCE. The SEC's enforcement program is a key part of the SEC. Many companies are trying to do the right thing and the compliance program's purpose is to work with those companies to try to enable them to comply. But, there are some companies and some individuals that simply do not want to comply with the rules, and the enforcement program is necessary. We need strong, clear, swift enforcement, and the SEC is blessed to have a tremendous staff of enforcement attorneys who are very talented and very experienced. And, so, their role is to pursue wrongdoers, and I would welcome the opportunity to be part of that if I were confirmed.

And, in terms of individuals versus corporations, I think, too, often, it is easier to charge a corporation rather than going after individuals who are responsible, and presumably, if a corporation has done something wrong, there are individuals who have been engaged in that wrongdoing. And, so, I do think that that is an

area where it is important to press forward even when it is difficult to charge individuals.

Chairman SHELBY. Ms. Fairfax.

Ms. FAIRFAX. Thank you. I absolutely believe that enforcement is a priority. It instills investor confidence, it ensures accountability, and it deters misconduct. I also believe that accountability, both with respect to individuals and with respect to corporations, is very important and the SEC needs to aggressively engage in enforcement efforts.

Chairman SHELBY. To both of you, prior to the nomination hearing, were you asked, either of you, to support any policy, rulemaking, or initiative in exchange for support for your nomination?

Ms. PEIRCE. The only pledge I made was, if I am confirmed, to aggressively fulfill the mission of the SEC, including investor protection.

Chairman SHELBY. OK. Ms. Fairfax.

Ms. FAIRFAX. Yes. I was not asked that question. Thank you.

Chairman SHELBY. Mr. Jeppson, could you briefly elaborate on the U.S. public's demand for coins, and with the advent of online and card payment technologies how the Mint's production needs to have shifted and will continue to shift. In other words, what is the future of the Mint and coins in the U.S.

Mr. JEPPSON. Mr. Chairman, thank you for the question. We have seen that since 2009, with the improving economy, the use of coins has increased. We have climbed back to historic levels. We have risen from about five billion coins in 2009 to production of the circulating line at about 16.1 billion coins last year. This is a threefold increase. Circulating coin production continues to be strong. The Federal Reserve forecast holds us flat at about 1 billion for the, really, next 12 months, and we believe that we will be within that 14 to 16 billion range for the circulating lines. Production continues to be strong.

On the numismatic side, we saw a big decline in 2009. We have managed to gain back some of that demand. We have been able to——

Chairman SHELBY. Is that because of the economy tanking?

Mr. JEPPSON. Yes, sir, I believe that in large part it was because of the economy. With collectable coins, disposable income plays a large role, so I believe that the economy was probably the single largest factor in the decline. We have managed to gain back some of that.

But, we also have a demographic that is changing. So, we have instituted some outreach to try to broaden our appeal to a larger demographic of coin collectors and to make the Mint more accessible. We have also moved more to online sales, which has become the preferred method for most of our coin collectors to purchase coins.

Chairman SHELBY. Senator Brown.

Senator BROWN. Thank you, Mr. Chairman.

I want to begin by highlighting the important work that remains for the SEC to complete its Dodd-Frank Act rules. A number of rules still need to be finalized. Others have not yet been proposed.

A question for both of you, start with you, Ms. Peirce. If confirmed, are you committed to finishing the rulemaking process

promptly and faithfully according to the law, regardless of your personal views?

Ms. PEIRCE. Senator, I am committed to working with Chair White and the rest of the Commissioners to carry out the rest of the agenda given to us by Dodd-Frank. I will note that because the Chairman does set the agenda, the ability of an individual Commissioner to control the timeline is sometimes quite difficult.

Senator BROWN. Ms. Fairfax.

Ms. FAIRFAX. Yes, absolutely. I believe that completing the mandate under Dodd-Frank is important, so I would be committed to making sure we try to get that done as quickly and as appropriately as possible.

Senator BROWN. Thank you.

Ms. Peirce, you in response to the Chairman's question mentioned pursuing wrongdoing. I want to follow up on that. The SEC's enforcement record shows a vast majority of cases are settled, and even in recent years, admissions of guilt are infrequent. To make matters worse, many settlements are with repeat offenders. How do you think settlements with admissions of guilt and meaningful punishments, especially for chronic offenders, can be achieved in enforcement cases?

Ms. PEIRCE. I think that that is a very important issue, Senator, and I think that perhaps because it has become a tradition at the SEC to have settlements with neither admit nor deny, that is just what the expectation is from both sides. But, I do think that a settlement sends a stronger message if there is an admission of wrongdoing. And, sometimes—it is more costly for the SEC to pursue that because the respondent may say I will not do that and I want—you have to take me to court, either in-house court or a District Court. But, sometimes it is worth that price for the SEC to take that step. I think you mentioned repeat offenders, and I think that that is particularly a case where it may be worth taking the extra resources and applying them to get an admission of wrongdoing.

Senator BROWN. Ms. Fairfax, follow-up on enforcement issues. Experts say the tone at the top is important in guiding responsible corporate behavior. In your research, what elements of corporate governance promote better behavior and accountability?

Ms. FAIRFAX. Thank you. That is a very good question. I think the tone at the top is extremely important. I think you need to have people who are able to listen to and understand a range of perspectives and who can work collectively to engage in problem solving. I do think you also need to have people with independence and objectivity, because that is important. You need to have expertise, because that is also important, and people with a true commitment, and understanding of a particular mission or a particular responsibility.

Senator BROWN. Ms. Peirce, on Friday, the National Archive released documents from the Financial Crisis Inquiry Committee's review of the causes of the financial crisis. The documents show lapses across the board, both at big banks and by the regulators, lapses in understanding risks. Previously, Alan Greenspan conceded he made a mistake in thinking that banks could manage risk to protect their firms and shareholders, and he has commented

that incentive structures matter. Post-crisis regulations, in my opinion, including Dodd-Frank, have improved risk management and will create better incentive structures at financial firms. Do you think these improvements could have happened without a change in the law, in the new rules?

Ms. PEIRCE. I think that the financial crisis showed all of us that a change in the financial regulatory structure was necessary. It is very important to set incentives properly. One of the concerns that I had leading up to the crisis was that the incentives coming from regulations were all wrong and they encouraged bad behavior by financial institutions, and the financial institutions, frankly, followed right along and engaged in that bad behavior.

And, so, changes were necessary. I do worry that some of the changes that we have put in place will not lead to more personal responsibility by people in the financial industry but will lead to outsourcing of risk management to regulators, and so I think we need to keep an eye on how the Dodd-Frank reforms are working. We need to ensure that they are working well, and if they are not, we need to make adjustments. But, certainly, strong and effective regulation can be helpful in directing behavior so that it is not harming people.

Senator BROWN. Thank you.

Mr. Jeppson, one question for you. You mentioned the immense aging workforce could create gaps in manpower and training to make it difficult to meet high demands. What are the skill gaps that you—the most significant skills gaps you anticipate in years ahead? What kind of tools are you going to use, recruitment channels will you use to address staffing and training challenges?

Mr. JEPPSON. Yes, sir. As you highlighted, the Mint has an aging workforce, much like the rest of the Federal Government. More than 30 percent of our employee base is retirement eligible in the next 3 years, and they tend to stay for about 3 years after becoming eligible for retirement.

So, we have two tracks. First, we have begun a new training initiative that allows people to gain leadership and technical skills which will allow them to advance, and also a course which may enable an employee to cross-train into other areas. The Mint has a wide variety of skill sets, probably more so than any other agency, everything from our wage-grade employees as metal forming operators and die setters and heat treaters all the way to sculptors and engravers and accountants and designers. So, it is a very broad range, and it affects all of those positions. Training is a large component of that, preparing our people for leadership roles.

Also, we are going to do targeted outreach around our local Mints to recruit people and make people aware of the opportunities there. We will also focus on our time to hire, so that when we do find those talented people, we can actually get them in the door in a timely fashion.

Senator BROWN. Thank you. Thank you, Mr. Chairman.

Chairman SHELBY. Senator Heller.

Senator HELLER. Mr. Chairman, thank you. I want to thank you and the Ranking Member for holding today's hearing.

I appreciate the comments that have been made so far, and congratulations to all three and welcome your family here, also.

I will probably spend most of my time talking to the two nominees at the SEC. I have a tremendous amount of respect for you, Mr. Jeppson, but in this case, we only have a few minutes.

So, I regulated the securities industry in Nevada for 12 years and also was a securities license. I go back to a comment that Arthur Levitt said when he was Chair of the SEC under President Clinton. He quoted, an individual's philosophic orientation has unfortunately become more important than their knowledge of securities law. And, there is some concern up there that people believe that qualified individuals with private sector experience and knowledge of the securities law are being overlooked. And, this is not a reflection on yourself. I am just trying to get to a better understanding of both of your qualifications. I appreciate both of your comments.

I guess the question I have for both of you is what has been your experience in practicing securities law in the past? Ms. Peirce, I will start with you.

Ms. PEIRCE. After clerking after graduating from law school, I joined a law firm in D.C. that focused on—had other practice areas, but my focus was on securities law. And then I joined the SEC, where I worked for 8 years, and then was here on the Committee working on securities law issues, as well. And, my research now is broader than just securities, but it does include securities, as well.

Senator HELLER. Have you ever had a securities license?

Ms. PEIRCE. I have not.

Senator HELLER. OK.

Ms. FAIRFAX. Thank you for your question. When I graduated from law school, I worked at a large law firm and my focus area was in corporate and securities work. I did a wide range of corporate and securities transactions, from public offerings to private placement, did what was back then something that not many people were aware about, securitizations. I did work with respect to that, as well.

After I came out of practice, I started teaching. I have been teaching for over 15 years in the corporate and securities area, and I will say that what teaching in that area has done for me is given me a real breadth and depth in terms of my understanding of the securities market.

I did some work with FINRA, which in terms of licensing, gave me a real appreciation for licensing and self-regulatory organizations and the mission of FINRA and how that connects to the broader securities market. I have done work at the ABA. In connection with my work there, I have worked on rulemaking with regard to the Model Corporations Act. So I certainly understand, at least from that level, what rulemaking looks like, and what working with diverse perspectives and figuring out complex solutions looks like. So, I have had a wide variety of experiences in that area.

Senator HELLER. Have you ever held a securities license?

Ms. FAIRFAX. I have not.

Senator HELLER. You have not. Do you have any specific expertise in the equity markets?

Ms. FAIRFAX. My research touches on the equity markets. I also have done teaching in that area and that is where my understanding of that market comes from.

Senator HELLER. Ms. Peirce, how about the fixed income market? Any specific expertise in that area?

Ms. PEIRCE. I do not have specific expertise in fixed income, although I recognize that it is very important. And, I will note that the SEC has many people who are very experienced, including people who have been in industry, and if I were to be confirmed, my door would be open so that I could hear from people from all perspectives. I do think that one area the SEC needs to probably have more expertise in is fixed income. At least when I was there, there was not enough attention paid to that.

Senator HELLER. OK. In the Chairman's initial questioning, he asked about cost-benefit analysis. Can either one of you give me an existing regulation that you believe that the costs outweigh the benefits?

Ms. PEIRCE. I would argue that many of the regulations coming out of Dodd-Frank raise questions about that. One that posed particularly difficult cost-benefit issues was the conflict minerals rule, which is very far outside the SEC's normal expertise. But, subsequent reports have led me to believe that the benefits actually may be very outweighed by the costs and that there may actually be a severe human cost to the very people that that rule was intended to help.

Senator HELLER. Thank you.

Ms. FAIRFAX. I think engaging in a cost-benefit analysis is very important. Sitting here right now, I cannot pick out of the hat something that I think the costs outweighed the benefits, because sitting from where I am right now, while I have a kind of outside perspective, I have not really had the opportunity to hear staff concerns and concerns of all of the other market participants to get a real deep understanding of the costs and benefits of certain rules.

I know that there are concerns raised about a lot of different regulations, and I would certainly, if I am fortunate enough to be confirmed, be interested in listening to those concerns and to ask, as the Chairman pointed out, about costs and benefits, and to the extent it turns out that the costs outweigh the benefits, I would be responsive.

Senator HELLER. Thank you to both of you and to all three of you.

Thank you, Mr. Chairman.

Chairman SHELBY. Senator Reed.

Senator REED. Well, thank you very much, Mr. Chairman.

First, Mr. Jeppson, thank you for your service as a Marine in Afghanistan and Iraq. I think that probably prepares someone for doing lots of jobs, including the one you are nominated for. But, thank you very much, sir.

Let me turn my attention to the nominees to the Securities and Exchange Commission. Thank you very much for your willingness to serve. I would like to ask both of you the same question initially.

Shareholder protection—investor protection—is critical to the SEC's mission, and not only for their protection, but also to ensure that there is real shareholder governance in a corporation. And, there are a number of issues that are arising. The issue of cybersecurity, the issue of climate change, the issue of political spending—

in all of these shareholders should, I think, have some voice and be protected.

And, let me ask this specifically. Starting with Ms. Fairfax, what is your top objective or top initiative with respect to shareholder protection and investor protection?

Ms. FAIRFAX. Thank you so much for the question, and as my opening remarks, I hope, reflected, I think investor protection is extremely important. Obviously, it is a critical aspect of the SEC's mission. And, I think that everything that we do at the SEC, if I am fortunate enough to be confirmed, will relate to investor protection. I think one priority is market structure, and that is very much interlinked with investor protection. As I mentioned, I do not think you can really protect investors if you do not have fair, orderly, and efficient markets and to make sure that investors are operating in a structure that treats them fairly and a market structure that is secure.

The other thing I think is really important is corporate disclosure. I think making sure that investors have the right information is important. We talked about what is at the crux of the SEC, and it is about putting a spotlight on information and making sure investors have information so that they can make appropriate decisions.

I also, which should not come as a surprise, think that corporate governance issues are important, especially issues around the proxy apparatus and making sure that the voting structure works appropriately so that changes in the way in which shareholders vote and the matters that they vote on are taken into account when looking at that structure and trying to figure out how to move forward.

Senator REED. Thank you.

Ms. Peirce, please.

Ms. PEIRCE. As Professor Fairfax underscored, investor protection issues are important across the board of what the SEC does. One area that I think will see changes, positive changes made for investors, is the disclosure effectiveness review that is going on now. Trying to find the information that users need and present it to them in a way that they can use it, potentially incorporating new technologies, ensuring that the disclosure mechanism at the SEC is up to date in terms of technology, I think all of that will be very helpful for investors.

In terms of my work on the Investor Advisory Committee, we worked on a proposal which I think has merit, as well, which is trying to do a better job of aggregating information about financial professionals and making that available to investors in one place, and I think that is an exciting initiative that the SEC would do well to work on.

Now, I will say that perhaps when I get to the SEC, I will discover that there are other more pressing issues, and I want to keep an open door to that possibility, as well.

Senator REED. Thank you.

There has been some discussion about cost-benefit analysis, which implies, if you are going to do it correctly, that you have to have access to all the costs that are relevant, which would imply—well, let me ask. Would the SEC, if it had that direction, also have

the authority to go in and get the costs of different companies, some of which might be argued could be proprietary?

Ms. PEIRCE. The Paperwork Reduction Act actually limits the ability of the SEC to go to more than nine people. So, when I was at the SEC, and I did work on some economic analysis when I was there, we were able to call three small, three medium, and three large companies. Now, needless to say, that leads to some potential gaps. One way that the SEC gets around that is to ask for comment that has data in it, and I think those are sometimes the most effective comments, the comments that bring data with them.

Now, certainly, any cost-benefit analysis has assumptions and those assumptions need to be spelled out, and where there are data gaps, the agency needs to be very clear, we have a gap in data here, and that it is all out there and then people can respond to that.

Senator REED. I think the comment was actually very revealing, because there has been this mantra about we are just going to do cost-benefit analysis, and what you have indicated, first of all, is that there are only a few companies that the SEC can directly ask, given the present system. And, second, it relies upon comments which are voluntary, and so some people could withhold data until after the rule is promulgated, and then present the data as, well, this is, you know, your costs are not accurate. So, I think we have to be, very, very careful as we pursue this approach.

The second issue is—and I think you alluded to it in terms of the minerals rule—it is quantifying social benefits, which is always a very challenging problem. So, I think, again, that this is something the SEC does, but we have to be very, very careful about the limitations, both legal limitations and practice limitations.

But, thank you both. You are both bringing incredibly robust academic and legal backgrounds to a very demanding job and I thank you.

Chairman SHELBY. Senator Rounds.

Senator ROUNDS. Thank you, Mr. Chairman, Ranking Member Brown.

Senator Reed mentioned it, but Mr. Jeppson, I just wanted to also say thank you for your service to our country and I appreciate your offering to step up and to participate right now in another role.

Most of my comments once again will be directed to our two nominees for the SEC position today. Professor Fairfax, I appreciated the time that we spent in my office. Thank you very much. It is great to see that you brought your family here, as well. I come from a large family. I have got nine brothers, one sister, two step-brothers, and a step-sister, so it is always great to see support from family members here.

I also appreciated—we touched on a subject while you were in my office and I said that I wanted to bring it up today and provide you with an opportunity, but also to bring it out and to talk about it a little bit. What we talked about was—the topic that we discussed was the amicus brief that you signed in the Walmart v. Trinity case. The brief asked the court to allow the Trinity Wall Street Church to include a proxy statement which urged Walmart's board to provide oversight concerning the formulation of a policy,

a company policy, regarding the sale of products that, in their words, especially endanger public safety and well-being, have substantial potential to damage Walmart's reputation, and/or would be reasonably considered by many offensive to the family and community values integral to Walmart's promotion of its brand.

When we spoke, you said that you had concerns that what was written was perhaps inartful, but you signed the brief anyway. I hunt. I shoot at targets. I also own firearms, as many South Dakotans do. In 2010, the Supreme Court ruled that it is clear that the Framers counted the right to keep and bear arms among those fundamental rights necessary to our system of ordered liberty. This is settled law.

The question that I have is, is do you believe it is reasonable to consider the sale of guns by Walmart or any other retailer offensive to family and community values?

Ms. FAIRFAX. Yes. Thank you so much for that question. You are right, we discussed it before and I thank you for the opportunity to speak about it here today before the Committee.

First, in signing onto that brief, it was not at all a signal about any position with regard to the underlying issue or a signal about my position with regard to one company or one industry. It was instead aimed at the larger corporate governance proposition about shareholder proposals and what they should look like, and making sure that shareholder proposals maintain that careful balance between allowing directors and officers the ability and the important discretion to set corporate policy on the one hand, and allowing shareholders to communicate on issues that they think are significant on the other.

The other thing that I explained is, in my view, it is very important for boards to have the discretion to determine what is a significant policy and to determine what impacts their values and what impacts the corporation's bottom line, and it was my view that that was not what the shareholders were asking, that is, to set policy and make those decisions; but rather, what they were doing was communicating their desire to have the board engage in their oversight role and engage in the process where directors also were thinking about what is appropriate in that context.

So, again, my signing the brief was about the governance principle of protecting the shareholders' ability to communicate on important matters, which is, of course, an ability that is protected by the Federal securities laws, and balancing that very important right with the other very important right of allowing boards to set policy and to think through, of course, in their oversight role, what things impact the corporation and its bottom line.

Senator ROUNDS. It was the concern about whether or not it was the underlying issue that was of concern, because in an earlier brief—I also read the amicus brief that you signed in Burwell v. Hobby Lobby. In that case, the amicus brief you signed opposed Hobby Lobby's contention that the owners of Hobby Lobby retained their fundamental First Amendment right to free exercise of religion, because once they formed a corporation, they lose the ability to make moral adjustments.

To me, this seemed contrary to the position that you took in the Walmart case. In fact, you went so far as saying that the court

should reject Hobby Lobby's contentions because doing so could make the raising of capital more challenging, recruitment of employees more difficulty, and entrepreneurial energy less likely to flourish.

My question is, is why is it OK for Walmart's shareholders to instruct the company's board to closely scrutinize firearm sales because of concerns about family and community values, but it is not OK for a family that owns a corporation to exercise their sincere religious objections?

Ms. FAIRFAX. Thank you again for that question. We did not talk about Hobby Lobby. And, I would say, number one, with respect to my signing onto that brief, it was not about the underlying issue, but about the broader corporate governance issue. With regard to Walmart, that issue was about shareholders' ability to communicate as opposed to any kind of mandate. With regard to Hobby Lobby, it was actually a corporate governance principle about the importance of the separation of the corporate structure from the personal and the individual shareholders.

In my view, the core component of a for-profit corporation is that it has a legal existence that is separate and apart from its independent shareholders and there are important benefits that stem from that idea, important tax benefits, important benefits with regard to limited liability. It is the reason why people's personal assets are not the same thing as the corporate assets. And, it has important benefits with regard to the perpetual existence of a corporation. It is why individual shareholders can change from day to day and even from minute to minute and the corporation remains the same. So, again, it was about that fundamental corporate governance principle, that the corporation has a legal existence that is separate and distinct from its shareholders and not the underlying issue that was at play.

Senator ROUNDS. Thank you.

Mr. Chairman, you have been generous with your time. I had some more questions, but I will yield back at this time. Thank you for your patience. Thank you very much for your answers.

Ms. FAIRFAX. Thank you.

Chairman SHELBY. Senator Scott.

Senator SCOTT. Thank you, Mr. Chairman.

Mr. Jeppson, as everyone already stated, God bless your service and you do not get any questions.

[Laughter.]

Senator SCOTT. I would not complain about that ever, by the way, on this Committee. Lord have mercy.

[Laughter.]

Senator SCOTT. And, Senator Rounds, I did not realize that you have enough siblings to have a football team. That was a——

Senator ROUNDS. A basketball team and a referee to go with it.

[Laughter.]

Senator SCOTT. Exactly. An unbiased referee, which would be nice these days.

To the two nominees, thank you for your time and your willingness to serve, without any question.

My first question is, can you give your views on how you, as a Commissioner, will use data to explore the advantages and dis-

advantages of a rule from the perspectives of an investor, the company, and the capital markets. Either may start.

Ms. PEIRCE. Well, I would just start out by saying data is very important at the SEC and I am glad to see that there has been more emphasis in recent years on getting good data. And, so, this sort of ties to something that Senator Reed asked me about, economic analysis. One way to get information is to ask companies directly, but the SEC should also be looking at other data sources, publicly available data sources, private data bases that it purchases. I think those are very important and can all be very useful in painting a picture of what the rule would look like if it were in practice compared to the existing state of affairs. So, I am excited that the SEC is putting more effort into getting good data.

Senator SCOTT. Ms. Fairfax.

Ms. FAIRFAX. I similarly think that it is important to have the rulemaking process be driven by accurate data. I will note, I think as Ms. Peirce has also noted, and Senator Reed has noted, that sometimes data can be incomplete. If I am fortunate enough to be confirmed as a Commissioner, I would try to find ways to fill gaps with regard to that data. But, sometimes data can be inaccurate, and so while I think it is extremely important to focus on data and try to make decisions where you have the most robust amount of data that you can, it is also the case that sometimes you have to engage in rulemaking where there are uncertainties, where the data is not there, and, where there is an inability to measure, the impacts of certain things.

And, certainly, if I am fortunate enough to be Commissioner, I would try to balance the desire to get data and the importance of getting that data with the need to move timely and effectively toward a decision.

Senator SCOTT. Thank you.

Speaking of data and rulemaking, the reality of it is one of the questions I think Senator Heller was trying to get at, asking the question about whether or not either of you have had a securities license, it is important from an investor protection perspective to have worked in the field and spent some time. I know Mr. Heller had a Series 7 license for about a decade and I have had a Series 6 for about 15 years or so. So, understanding investor protection from having worked in the field and worked from the ground up is a very different appreciation and perspective from what perhaps others may have.

When I think about something like the fiduciary rule that is being promulgated by the DOL, I think there is an opportunity for us to take a look at the data again, because the data certainly, from my perspective, concludes that the small investor is worse off under the current rule than they would be without the rule. Are you both familiar with the fiduciary rule?

Ms. PEIRCE. I am familiar with it, although I have not read the proposal. I have not had a chance to read the proposal yet.

Senator SCOTT. OK. It appears to me that the rule itself will make winners and losers of smaller investors in a way that is inconsistent with what is in their best interest long-term. Do you think it is good or not so good for the Government to help pick winners and losers in this area?

Ms. PEIRCE. I am quite worried about the Department of Labor's proposal, in part because I have heard, and it is difficult knowing, being outside the SEC, that the SEC's input was not considered. And, I think the input goes to some of the very issues you raised. We need to understand how rules like this are going to affect everyday people, people who cannot afford to pay a lot for a financial professional but who do rely now on a financial professional. And, I worry that what will end up happening is that we are going to cut a whole segment of people out of getting access.

And, so, if I were to be confirmed, I would want to talk with the staff at the SEC to understand what work they have done to try to see what would happen and what work the DOL has done on that front, as well.

Senator SCOTT. Yes.

Ms. FAIRFAX. Absolutely. I think that protecting investors in this space is of critical importance. I think protecting access to quality and appropriate advice in this area is also important, particularly for middle- and lower-income investors who clearly sometimes cannot afford a quality investment advisor and certainly whose resources would be significantly undermined, if they have investment advice that goes wrong. So, that is of critical importance and that means that thinking about how any rule like this would impact those investors is critically important.

I think it is also critically important to think about transparency in this area, because, one of the things that we have figured out is sometimes the investor is sitting across from an investment professional and they do not realize the role that the investment professional is actually going to be playing, or the potential conflicts that might be there with regard to that professional.

So, those are both priorities for me, making sure that we maintain access to good advice, and making sure that we reduce conflicts and that there is transparency. And, of course, keeping client needs at the center.

I have looked, as you might imagine, at the proposals, but do not really have a clear understanding of what is going to happen at the end of the road. Certainly, if I am fortunate enough to be confirmed as Commissioner, I would want to know. I would want to talk to everyone involved to get a clear sense of what is happening, what the rule is going to be, and their thoughts about what its impact is going to be so that we can engage in the appropriate response.

Senator SCOTT. Thank you very much for your answers. Certainly, with respect to the Department of Labor and their coordination with SEC, from my chatting with some other folks, that is why included the definition of collaboration differs from the Labor Department to the SEC from my perspective, and I would certainly encourage you both to take some time, if you are confirmed, to look deeply into it. This is one of those issues where you see a bipartisan collaboration happening with, I think it was 97 House Democrats signed a letter with serious concerns about the fiduciary rule and what it would do to some of the smallest investors, and the notion that we can figure out how to have no advisor and just use robo-advisors through technology does not appear to be in the best interest consistently of the smaller investor.

Thank you.

Chairman SHELBY. Senator Schumer.

Senator SCHUMER. Thank you, Mr. Chairman.

First, I would be remiss if I did not acknowledge that the chart behind us shows that many nominees are awaiting confirmation. But, I want to thank our Ranking Member, Senator Brown, for pushing so hard for these nominees. And I want to thank our Chairman. We are making significant progress and very much appreciated. We appreciated the fact that Adam Szubin came out of Committee last week and we are looking to vote on several nominees right away when we return.

These are positive steps, but there is more to be done. The Eximbank is paralyzed right now. It cannot—it does not have a sufficient number of members to make a quorum and I hope we can move that nominee, as well. But, in general, I want to thank the Chairman for his efforts in the last few weeks and hope that we will continue to see progress moving forward.

Now, for my questions. This is for Ms. Fairfax and Ms. Peirce, and I thank you for being here today. Now, I want to start with this. I make no secret in the fact that I believe 6 years ago, the Supreme Court ripped a giant hole through the fabric of our campaign finance system. Since that time, our politics has not been the same. Special interests have plowed hundreds of millions of dollars of dark money into our elections. They have created a rigged system, making it harder for people to elect individuals that will fight for families to get opportunities and to stay in the middle class.

There is no doubt in my mind that Citizens United has had a corrosive effect—it is poison—on our election, our politics, and ultimately on our country. The SEC certainly is not responsible for patching that hole in our campaign finance system, but you can help preventing that hole from being ripped open even wider.

As you know, corporations are under no obligation to disclose their corporate political spending to shareholders or the public. As a result, shareholders remain in the dark as executives of public corporations funnel money into our political system with no transparency or accountability. Citizens United has allowed for dark money to flood our airwaves and choke our democracy. It is a decision that must be overturned.

But even the Justices that supported the Citizens United ruling did so with the assumption that the political spending would promptly be disclosed to shareholders and the public. Sadly, this has not yet happened. In my opinion, it needs to change.

So, I am going to ask both nominees, Ms. Fairfax and Ms. Peirce, do you believe that shareholders of a company have a right to know about a company's corporate political spending, and do you believe that the SEC has a responsibility to investors to require that such disclosures are made?

And let me forewarn you, if I get a mushy answer, I am going to seriously consider being against your nomination. I feel that strongly about it, even if your other criteria are good. The campaign finance system is killing us. I am very upset that the Chairman of the SEC has not gone forward with this. We need the new nominees to be for it, whether you are Democrat, Republican, liberal, or conservative. So, I am really serious about this and I really

want an answer, not gobbledygook. No offense, but we get a lot of that from other witnesses, I hope not from you.

Ms. Fairfax.

Ms. FAIRFAX. Thank you for your question. Well, I unfortunately have to start with, first and foremost, there is a budget bill that appears to prevent rulemaking on this very issue and so, obviously, because I think the Commission does not have the freedom to ignore mandates from Congress, I certainly would think seriously about whether or not that is off the table. But, I understand that there——

Senator SCHUMER. Let us just say that the budget bill does not apply here——

Ms. FAIRFAX. OK.

Senator SCHUMER. ——because I believe it does not. What would you do? How would you vote?

Ms. FAIRFAX. OK. I think, sitting from the outside, I cannot know how I would vote, and I am not being gobbledygook and mushy, but I do think that my role is to consider the various perspectives around this issue, and I understand that this issue is one that is very much hotly contested. I certainly appreciate the things that you have been saying——

Senator SCHUMER. I would like you to enumerate one argument why shareholders should not know the money that corporations, that the corporate board, corporate CEO, or whatever, has decided to give in a political campaign. Give me one argument against it.

Ms. FAIRFAX. Sure. I will tell you the arguments that have been put forward. One argument that has been put forward is that the information is immaterial. You will hear people saying that is one argument——

Senator SCHUMER. What is—you mean the shareholders do not care?

Ms. FAIRFAX. Umm——

Senator SCHUMER. Many do.

Ms. FAIRFAX. ——for some shareholders—I think there is an argument about whether or not it is material——

Senator SCHUMER. Do you believe it is material, Ms. Fairfax?

Ms. FAIRFAX. I think that there is certainly an argument to be made that it is material. That argument stems not only from what shareholders want, but also, of course, from the notion that shareholders should be able to think through whether and to what extent——

Senator SCHUMER. I want to hear from Ms.——

Ms. FAIRFAX. ——spending is consistent with corporate governance.

Senator SCHUMER. OK. That argument that it is immaterial does not cut much mustard with me, and, I think, with many shareholders—not all, but many.

Ms. Peirce, would you please answer the question as directly as you can.

Ms. PEIRCE. Well, I echo what Professor Fairfax said, that right now, the Congress has made fairly clear that it should not be a priority for the SEC. Were it to come up later, I would need to know what the actual text of the disclosure requirement was and I would

want to speak with staff in the Division of Corporation Finance as well as other interested parties.

Senator SCHUMER. OK. I am not satisfied with either answer. I am putting you folks on notice. If you think back, I am going to submit the question in writing and I would ask you to give me your answers in writing. I think in the light of day, the written answers, what you said, will not stand up, so you had better come—I hope you will come up with a better answer than this, because right now, I would be leaning against both of your nominations given your answers, OK. Thank you.

Chairman SHELBY. Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman.

Congratulations to all on your nominations, and I want to pick up where Senator Schumer just left off—not necessarily on his very last statement. I have not gotten to that point yet, but I may get there along with him.

I believe that the issue of the disclosure of corporate spending is a shareholder interest, as well as a societal good. Adding transparency, cleaning up campaign finance, and keeping the elections process fair and free is incredibly important.

Now, the information, I believe, is material to how shareholders decide where to invest their money and how to vote in corporate elections. I do not know that I—you know, I want to invest in a company that is going to ultimately make its greatest profits and that, from my perspective as one shareholder, to also make sure they are doing so within both the ambit of the law and, hopefully, as a good corporate citizen.

But, I really—if I want to go spend money in a campaign, I will spend my money in a campaign and I will decide where it goes. But, I have no interest in having a corporation spend the money that in part is mine by virtue of my investments in whomever they want or whatever they want. And if they are going to be able to do that, fine, then at least I should know so that I can make decisions as an investor, so that pension funds can make decisions as investors as to whether or not to do that.

So, last year, I reintroduced the Shareholder Protection Act to require public companies to disclose their political spending and to require a shareholder vote to approve it. It is pretty elemental. At least let the shareholders decide if that is what they want. Maybe they do. Maybe the shareholders in that company want to. But, at least they should have what I think is a commonsense solution.

So, I know that in response to Senator Schumer's question you referenced the 2016 omnibus appropriations law that, unfortunately, included a 1-year provision to try to block the SEC from issuing, implementing, or finalizing a rule to require public companies to disclose their political spending to shareholders.

When we saw that, I sent a letter to Chair White along with 96 of my colleagues in the Senate and the House pushing the Commission to move forward, notwithstanding the language of the end-of-the-year bill because it is our analysis and those shared by a series of law professors throughout the country that this provision does not bar the SEC from moving forward to prepare, propose, or develop a rulemaking on corporate political spending. It may not be

able to finally issue it, but there is no reason it cannot prepare itself to do so when the year ends.

So, I would like to hear from you, both of you, if, in fact, you are confirmed as a Commissioner, what steps will you set in motion for the development, preparation of such a rule, even if the rule cannot ultimately be issued within and until the year expires.

Ms. FAIRFAX. I would say, first, whether or not steps can be put in motion at the top level is a decision that the Chair has to make. But, at the secondary level, certainly I think with respect to any of these issues, it is important not to prejudge. I would need to, if I am confirmed, be very much open, and I would be open, to hearing more information about the debate. I will say the issue about materiality is not mine, or necessarily mine, but something that I have heard, and I think it is fair, certainly, if I am fortunate enough to get into the position, to then listen to the concerns on the other side and to think through those concerns.

I also would agree that the devil is very much in the details. To that extent, what is the rule—if there is a rule, what will it look like, how will it take shape, what kind of impact will it have. Those are things certainly to think through and I would certainly work with my fellow Commissioners and staff and others who are interested, if I am fortunate enough to be confirmed, to think through those types of things.

Senator MENENDEZ. I hope, Professor, when you are listening to the other side, there are 1.2 million comments on this rule, more than any other rule in SEC history. There are a lot of comments that have been made in this regard. I hope that as Commissioners, you would not be rejecting 1.2 million voices in the country.

Ms. Peirce.

Ms. PEIRCE. Again, I think the appropriations language is clear. The Chairman has the agenda——

Senator MENENDEZ. What do you mean by clear? Tell me, what does that mean?

Ms. PEIRCE. In terms of directing the Commission that that is not the priority for the Commission this year. Now, if the Chairman has a different view of what that language means, I would be open to hearing from her and from the General Counsel to understand how we could work on something like that given that language.

Senator MENENDEZ. Well, I tell you something. I think I have the same reservations that Senator Schumer has, and I have other questions on diversity disclosure and other elements of Dodd-Frank that I included in the law when it was written, but my time has expired. I hope to be able to pursue those with you individually and, as well, for the record.

Thank you, Mr. Chairman.

Chairman SHELBY. Senator Warren.

Senator WARREN. Thank you, Mr. Chairman, and thank you all for being here today, and thank you for your willingness to serve.

The job of SEC Commissioner is largely to be a watchdog, to make sure that the public is protected and the markets are honest and fair. After the financial crash of 2008 showed us that Wall Street was out of control, Congress passed Dodd-Frank to try to

rein them in. And the SEC was directed to write or enforce dozens of rules to protect our financial systems.

Now, Ms. Peirce, in the past few years, you have attacked many of those same rules. For example, you edited and contributed to an entire book called, *Dodd-Frank: What It Does and Why It Is Flawed*, which criticizes several SEC rules required by law. You wrote that the Volcker Rule, one of the key provisions to deal with too big to fail, quote, "requires regulators and industry to pour countless hours into an effort that may end up impairing rather than shoring up our financial institutions and our markets. It is nothing to celebrate."

You wrote that Congress should, quote, "perform major surgery," close quote, on Dodd-Frank to reduce its directives to agencies, and you argued that the SEC, quote, "is a prime candidate for mandate trimming." You have described the CEO pay ratio disclosure rule and the conflict minerals disclosure rule, two SEC rules that are required by Congress, as, quote, "pointless Dodd-Frank mandates."

What you propose, as best I can tell from your writings, is less oversight of big banks, fewer efforts to rein them in, more chances for them to take on big risks, boost their profits, and if things go wrong, come crying to the Government for another bailout.

Now, you are certainly entitled to your opinion and to express it as loudly as you want. But, the question is whether someone should be put in charge of enforcing laws that they think are unnecessary or counterproductive. You know, no one hires a watchdog who is not committed to enforcing the rules.

So, I want to ask, what kind of watchdog will you make if you believe that parts of Dodd-Frank are, and I am quoting you, "pointless," and you think that Congress should repeal much of it?

Ms. PEIRCE. Senator, I certainly understand your concern, but I wrote those comments not in the context of a regulator charged with implementing the rules but in the context of an academic researcher whose goal is to suggest a financial regulatory architecture that will work better at protecting investors and ensuring that people take responsibility for their own behavior.

The reason I do not think you need to be concerned is that I was a regulator. I was a regulator for 8 years and I was able to do the job. And certainly in asking you to confirm me for this job, I am not asking you to confirm me to not implement rules, but to implement rules. And, in fact, the time that I spent here on the staff was very useful in teaching me the importance of regulators adhering to what Congress tells them to do.

Now, I do not think there is anything wrong with a regulator saying, we are going to do this as you asked us to do. We do have concerns, but we are going to do this, and that is what I would do if I were there. I would work on implementing the rules as best as they could be implemented and pointing out where I thought there might be issues that Congress should look at again. But until Congress looks at those again, the responsibility of the agency is to enforce the rules.

Senator WARREN. Well, I have to say, I assume anyone who wants the watchdog job would say exactly that. But an SEC Commissioner has a lot of tools that can be used to undermine all of

Congress' mandates. You can delay the rules. You can water them down. You can look the other way when it is time to enforce them.

And, frankly, there will not be much that Congress can do about it once you are confirmed, and that is a real concern for me, because in April 2014, the D.C. Circuit rejected a challenge to the SEC's Congressionally required conflict minerals rule, and shortly after the court's ruling that the SEC could act and that Congress had required it to act, you took a very different view. You tweeted, just because the court is not stopping SEC from requiring immediate compliance with conflict minerals rule does not mean the SEC should not stop itself. Now, that sounds like you believe SEC Commissioners can and should ignore the law, that the watchdog should look the other way.

So, I want to be absolutely clear on this. If you are confirmed as a Commissioner and a Congressionally mandated Dodd-Frank rule does not fit with your personal view of the SEC's mission, are you now saying that you will do everything in your power to effectively implement and enforce that rule?

Ms. PEIRCE. Certainly, and sometimes effective implementation requires delaying so that companies are able to implement it properly.

Senator WARREN. So, the way—it sounds like you have left yourself a lot of room here.

Ms. PEIRCE. When the SEC crafts rules, one of the things it does is it sets implementation periods, and it does that in a way to make sure that industry is going to be able to get on board in a way that is effective and achieves the objectives of the rules. And if I were to be confirmed, my goal would be to work with the staff of the Commission and the other Commissioners to figure out the most effective way to implement the statutory mandates given by Dodd-Frank and other statutes. That would be my job as a Commissioner.

Senator WARREN. Thank you.

Congress mandated that no more than three out of five of the SEC Commissioners can be members of the same political party, and so long as that is the case, we are going to have Republican Commissioners and Democratic Commissioners and they will invariably have different views about the job. But, there is a big difference between disagreeing about how best to implement a law and actively sabotaging the law. Advice and consent is about making individualized good faith judgments, and I think your record gives the American people reason to be concerned about your nomination.

Thank you, Mr. Chairman.

Chairman SHELBY. Senator Cotton.

Senator COTTON. Thank you.

I apologize to our nominees. I have been presiding over the Senate. It is a duty as much as it is an honor. The Chairman remembers doing that in the Reagan administration.

[Laughter.]

Senator COTTON. Back before he came to the right side.

Chairman SHELBY. That is right.

Senator COTTON. Ms. Peirce, I have some questions about the Financial Industry Regulatory Authority, FINRA. Last year, you

wrote a paper analyzing the structure and operations of FINRA with one theme being, quote, "Although commonly perceived as a self-regulator, FINRA is not accountable to the industry in the way a self-regulator would be," end quote. Could you elaborate on that theme.

Ms. PEIRCE. Certainly. FINRA has changed over time and is something different than what its predecessor organization was, and it right now has a board that has people that are not drawn from the industry, and so that raises concerns about what exactly the organization is. To whom is it accountable? Is it accountable to the industry? Is it accountable to the SEC? Is it accountable to investors? And, I think there have been concerns raised from each of those areas, from each of those constituencies, that it is not doing a good job.

Now, certainly, if I were to be confirmed as a Commissioner, I would want to meet with and speak with folks from FINRA as well as the people at the SEC who oversee FINRA and see if there are areas where we can shore up the SEC's oversight of FINRA and work together to make sure that investors are being protected as they should be and that the organization is working as it should be.

Senator COTTON. So, what are the implications for our securities markets if the regulatory entity for broker-dealers operators with only nominal oversight from the SEC, as you pointed out in the paper, less SEC oversight than the Public Company Accounting Oversight Board receives?

Ms. PEIRCE. The implications are that we are not getting the kind of regulation of broker-dealers that we need, and so perhaps there are concerns that innovation is being slowed by the way FINRA is governed and that investors are not being protected the way they should be and that there is no ability for someone to say to FINRA, OK, we are going to hold you accountable for this decision, because it is one step removed.

So, those are the nature of the concerns I have. Again, I would want to get to the SEC and talk with the people who are actually doing the monitoring of FINRA to better understand if there is more that the SEC can do to watch more closely.

Senator COTTON. Over the last 7 years, in many industries, to include the financial services industry, we have seen considerable consolidation. Specifically among broker-dealers, we have seen consolidation from 7,900 back 15 years ago to only 4,000 today. I would estimate that rising compliance costs from multiple regulatory initiatives is a factor in this consolidation. One, do you agree, and two, if so, what could that trend imply for municipal issuers and investors, particularly in small States like Arkansas?

Ms. PEIRCE. Yes. I think, certainly, that small financial firms are feeling the press of regulation in a way that large firms do not. In fact, I think it was once described—regulation was once described as a moat around the larger firms, protecting them. So, that is a concern that needs to be taken into account.

In terms of the municipal space, certainly when you see smaller financial firms disappearing, I think municipal issuers have fewer options. So, that is a concern generally.

Senator COTTON. And then thinking about FINRA's future going forward, it seems that it is kind of in this neither fish nor fowl category now with its relationship to the SEC, but also not maybe being purely a SRO anymore. Do you think it needs to move in one direction or the other, it needs to essentially be folded into the Commission or it needs to be returned or reconceived as a true SRO, maybe with competing SROs, as well?

Ms. PEIRCE. Yes. As I laid out in the paper, there are multiple options. You could go to the route of folding it into the SEC. You could go to the route of trying to encourage there to be competing SROs. Or, you could go the route of just trying to reform FINRA and put in some more accountability mechanisms and make sure the SEC is doing its oversight properly.

I have not formed an opinion on what the right answer is. To some degree, that lies with Congress and certainly not with the SEC. But, it would be an area that, if I were to be confirmed, I would want to speak with the staff who are day to day involved with this oversight and understand from them what they think the best course is and then speak with my fellow Commissioners, as well.

Senator COTTON. Thank you. My time has expired, but congratulations to you all on your nominations and your willingness to serve. Mr. Jeppson, thank you in particular for your past service in uniform to our country.

Chairman SHELBY. Senator Donnelly.

Senator DONNELLY. Thank you, Mr. Chairman.

Ms. Peirce, I want to tell you a little bit about what happened in Indiana. I know you are from Ohio. We had 2,100 workers fired for a company that said, we are on the high end of expectations for earnings, that is in the middle of a $16 billion stock buy-back, and they were fired so that the jobs could be sent to Mexico for $3 an hour. Among the folks fired were over 60 veterans who had put their lives on the line for our country.

So, going a little bit more into this, the CEO from 2 years ago, approximately, walked away with a golden parachute of over $190 million in stocks and in others. The present CEO makes over $10 million a year. And, the savings they are going to have by firing all these workers who gave their heart and soul to the company, they say it is going to be $60 million, approximately. I think it is probably less. But, that is one-third of 1 percent of the stock buy-back—one-third of 1 percent. So, we have 2,100 workers fired for the following offenses: Earnings of 20 percent, great brand name, working hard, doing everything they can for the company, and the jobs sent to Mexico for $3 an hour.

Should the SEC allow this kind of thing? You have $16 in stock buy-backs because they want to get the price of the stock up. One-third of 1 percent of that $16 billion are the workers who have been fired. The earnings of the company are over $7 billion, but the stock buy-back is more than twice their annual earnings. Should the SEC allow this kind of thing to occur?

Ms. PEIRCE. First of all, my heart certainly goes out to the employees who lost——

Senator DONNELLY. I understand that, but what I want to know is——

Ms. PEIRCE. ——their jobs, so——

Senator DONNELLY. ——should the SEC allow over 60 veterans to be fired who are making in a two-tier wage system maybe $14 with minimal benefits so that we can have a stock buy-back of $16 billion, and their wages are one-third of 1 percent of that?

Ms. PEIRCE. So, I cannot speak to the specifics of that case because I only know what I just heard from you about it. But, I will say that the SEC has rules regarding stock buy-backs, and this concern that you express is one that I have heard from others, as well——

Senator DONNELLY. Well, as a potential SEC nominee, do you think this should be allowed?

Ms. PEIRCE. Again, it is difficult for me to assess the facts and circumstances of that particular case, but what I would say——

Senator DONNELLY. Assume they are true.

Ms. PEIRCE. What I would say is that if I were to be confirmed as a Commissioner, I think it is an area that I would think merits looking at, because the volume of stock buy-backs is up, and so I would want to talk with the staff at the SEC and with my fellow Commissioners about whether the rules that are on the books now are working as they should.

Senator DONNELLY. Well, what does it say about a system where the driving factor is not your profits. The driving—well, maybe it is, because maybe they are thinking instead of one-third of 1 percent of the stock buy-back, they can go to one-half of 1 percent of the stock buy-back. But, what does it say when you leave 2,100 workers behind who have given their heart and soul, many 20, 25 years, to that company and in return they are all fired so they can get $3 an hour wages in Mexico, and they tell you it is critical to save that $60 million, but they are giving a $16 billion stock buy-back. Is not something wrong with that process?

Ms. PEIRCE. Again, the number of stock buy-backs is up and I think it is an area that I would be interested in learning more about from the staff who have been looking at that at the——

Senator DONNELLY. Well, do you see that as destructive of our workers and of the people who have given their lives to these companies? I mean, where does—I guess, where does—in the SEC's mind, where do the employees, the workers, the people who have given their heart and soul, fit in as well as the stockholders? What is the balance on that?

Ms. PEIRCE. The SEC's mandate relates to investor protection as opposed to employee protection. But, naturally, any company that is trying to be an effective company has to treat its employees well.

Senator DONNELLY. Well, apparently, I think, part of the stock buy-back craze has been that the workers get left behind.

Ms. Fairfax.

Ms. FAIRFAX. If you have seen some of my corporate governance work, you have seen that I think corporations and boards owe their duty to the entire corporate enterprise, and that means that you should be thinking about everybody and everything that is impacted by that enterprise, and I think, then, that flows into this question of corporations and how we think about them and what our mandate is with respect to them.

If you are asking me the question about the particulars, again, I was just listening to it——

Senator DONNELLY. Yes.

Ms. FAIRFAX. ——as you heard, and I would agree with Ms. Peirce that I know share buy-backs are up. I know there is significant concern about them and their impact on the corporation and would certainly be interested in looking at that issue, probing it more deeply, with an understanding that it should not be a zero-sum game, that it——

Senator DONNELLY. It is really breathtaking to me that Carrier would fire these people, that United Technologies, who has contracts with the U.S. Government, and what they are asking me to do is to go back to fired veterans and tell them, you have been fired, but we now want your tax dollars to be used to buy products from the same company that fired you. Something seems very, very wrong with that process, and I think something needs to be looked at by the SEC in the way this is going on.

How do you, as a veteran, give your heart and soul to a company, see them make great earnings, the American promise. I mentioned this the last time I was here. The American promise. I will work hard. I will make sure this company does well. In return, their shareholders are going to do awesome. And in return, all I ask for is a halfway decent salary and a chance to put a roof over my head. That is the American dream, and I think the SEC ought to stand up for the American dream.

Thank you, Mr. Chairman.

Chairman SHELBY. Senator Brown.

Senator BROWN. Thank you, Mr. Chairman.

I have a couple more questions, and I just—I appreciate Senator Donnelly's bringing up his constituents who have been so wronged by greedy management, pure and simple. And as—I mean, there are lots of unhappy people in this country now. People have a notice from election results, and I appreciate his talking about this. And I appreciate Senator Schumer's comments about money and campaigns and whether—I mean, I know you both want to be confirmed. Whether you—regardless of your personal feelings. You did not seem to want to share them very much. I understand that.

But, I do hope that you listen to some of the outrage from this Committee and in this country. Even though maybe you cannot commit on things now, maybe you do not have all the information you need, but there are—I would just hope you would be more sensitive than your answers perhaps suggested, and Ms. Peirce, in your case, than your writings suggest in terms of listening to some of the inequities and injustices in this society. I will leave it at that.

But, I have a couple of questions for both of you, starting—well, for both of you. If we go back to 2009 and you had a blank slate, where would you start with financial market reform? Ms. Peirce, why do you not start.

Ms. PEIRCE. Umm——

Senator BROWN. Forgetting Dodd-Frank, give us a real quick outline of where you would start.

Ms. PEIRCE. Sure. I think that the key theme would be trying to restore responsibility for mistakes to the people who make them.

And, so, part of that, for example, in the bank realm, would be higher capital for banks to make sure that there is a cushion when there is a problem at a bank. So, that would be one example.

In the securities space, for example, I think some of the reforms that are going on now in terms of making sure that disclosures are appropriate, so that when someone is looking at a financial firm, looking at the filings, someone can actually understand what is going on inside that firm.

So, those would be a couple of the areas that I would address.

Senator BROWN. Do you tier capital requirements in terms of percentages or leverage ratios? Do you tier them so that JPMorgan Chase has higher capital standards than the First Bank of Sycamore, and you are in my home State?

Ms. PEIRCE. I think simple capital ratios are appropriate. Whether you tier it by the size of the bank is something that I have not personally investigated. I mean, my inclination would be to say that you have a standard across the board, but, I would——

Senator BROWN. So, a community——

Ms. PEIRCE. ——welcome the opportunity to think more about that.

Senator BROWN. Because that——

Ms. PEIRCE. You know, I——

Senator BROWN. Does that suggest that the First Bank of Sycamore is a threat—poses the same threat to the stability of our financial system as does JPMorgan Chase or Goldman Sachs?

Ms. PEIRCE. Well-capitalized, well-managed banks do not fail, and so I think across the board, even from the perspective of that small bank, I think having a good capital cushion is wise management. But, again, I mean——

Senator BROWN. Ms. Fairfax, where would you start?

Ms. FAIRFAX. Where to start? I think, actually pulling back for a second it is interesting that a lot of what happened seemed to center around banks. So, I do think it was right to think about reforms in that space. Whether or not it is capital requirements, thinking through liquidity concerns and risk assessments, I think you asked me a question about board governance, et cetera. I think that would be linked to this question about incentives.

And linked a little bit to Senator Donnelly's concern about people and individuals who are operating in these entities, do they have the appropriate incentives to think about long term versus short term. I think that is a very important question, and making sure that we have appropriate incentives, and looking through the rules to think about what the rules say and what kind of directions the rules may pull people in, I think it is very important.

Transparency is critical. I think the crisis taught us that there was a lot actually we did not know about what was going on in the derivatives space, about the interconnectedness between certain markets. And, so, I think it is right to shine more light on that space and to get more information connected with that.

The other thing I think we saw was that agencies and industries were operating in their own separate spheres and there was not a clear realization that what one market is doing would clearly have an impact on what another market is doing. And, so, I think thinking through collaboration and coordination, or at least responding

to ways that we can collaborate and coordinate and recognize interconnectedness is also really important.

Senator BROWN. A real quick question, and I note Senator Merkley has not had a round yet and I know Senator Warren had a question, too.

There is notable representation—this is for both of you, Ms. Peirce first—of women and minorities in management positions in financial services and among financial regulators. Tell me if you think it is important to have policies to improve representation of women and minorities at the SEC, and if you do not think so, why not. Ms. Peirce.

Ms. PEIRCE. Certainly, the SEC should take advantage of the beautiful diversity that this country has, and I would hope that it does. I think if we are confirmed, we will be able to set an example as a board that is 80 percent female.

Senator BROWN. But, you are not suggesting any kind of actions to improve those numbers?

Ms. PEIRCE. Numbers at the SEC?

Senator BROWN. And on regulators——

Ms. PEIRCE. I am not familiar——

Senator BROWN. Regulators and staff and—at financial institutions.

Ms. PEIRCE. Certainly——

Senator BROWN. I will give you an example. In your hometown, in my hometown, there is a female CEO of Key Bank. She is the only female CEO among, I believe, the 25 largest banks in the United States. Does the SEC have any—should they have any thoughts about helping banks move in the direction of better minority and women leadership position representation?

Ms. PEIRCE. Well, Dodd-Frank did put in an Office of Minority and Women Inclusion, and so if I were to be confirmed, I would want to speak with that office to find out what the efforts are underway. I know that guidance was put out by multiple agencies. I believe the SEC was one of those agencies.

Senator BROWN. Ms. Fairfax.

Ms. FAIRFAX. My work clearly shows that I think diversity inclusion is important and I think diversity inclusion matters in every sector of our economy. When you think about what that looks like on the ground, it is not clear, but certainly if I am fortunate enough to be confirmed, I would work to make sure that the SEC is a leader on this effort in terms of setting the tone, as Ms. Peirce said, about what our structure would look like, and, of course, setting the tone about the importance of that work through the Diversity Office that was mandated by Dodd-Frank and, thinking through ways in which we can set that tone in other industries.

Chairman SHELBY. Senator Merkley.

Senator MERKLEY. Thank you very much, Mr. Chairman.

And, just to jump right into it, I am very concerned that of the rules required by Dodd-Frank, a third have not been finalized and there is no clear timeframe. One of the rules that I was specifically interested in was the conflict of interest provision. This was the situation where, essentially, firms were packaging securities to sell to clients and then they were taking bets that those very securities

they were selling would collapse. In other words, they were selling something they knew to be defective.

And, so, the conflict of interest is just about absolutely stopping a predatory practice of designing a product designed to fail and then selling it as if it is the best thing since sliced bread, certainly not something a firm should be doing. And, yet, the law as written says for this section, not later than 270 days after the date of enactment, the Commission shall issue rules.

Is it, Ms. Fairfax, appropriate that the SEC has failed to address this fundamental conflict of interest and has failed to follow the law written by Congress?

Ms. FAIRFAX. Thank you for your question. I absolutely think it is important that we move to try to enact the mandates under Dodd-Frank. I am not, obviously, at the SEC. If I am fortunate to be confirmed, I will hopefully get some insights into what the process around the rulemaking has been and how we can work to get things done in a timely fashion——

Senator MERKLEY. That is all very diplomatic, but when Congress says, you shall do something at the SEC, and you are here to be a Commissioner at the SEC, do you take that instruction in the law seriously and would you work hard to say, yes? And, I realize the Chair sets the agenda, so you do not have full power over this, but would you work hard as a Commissioner to say, we here on the SEC should follow the law?

Ms. FAIRFAX. Absolutely. I think the Commission should follow the law and the Commission should try to work to comply with whatever time commitments are there within the law.

Senator MERKLEY. Ms. Peirce, do you think the SEC should follow the law?

Ms. PEIRCE. Yes.

Senator MERKLEY. Do you find it somewhat embarrassing that when the law says 270 days and we are now 6 years later, that that is not just a—that is just not a little bit of a miss, but that is a complete and utter systemic failure?

Ms. PEIRCE. I think that the SEC would agree that that is a miss. They have had many rulemakings, and so I know that there has been a lot of competition for the rulemaking resources, but it is a miss.

Senator MERKLEY. So, you would use your position to say, let us do what Congress asked, and sometimes that means, if you will, that a rule is not going to go through 10,000 reiterations. It is going to get done and out and field tested, and then we can all come back to it later and say, well, does it need to be improved or not, but that when Congress says it shall be done, you believe it should be done?

Ms. PEIRCE. Yes. I mean, the SEC does have to adhere to the Administrative Procedure Act in proposing and adopting regulations, which does sometimes take some time.

Senator MERKLEY. Thank you.

I am going to turn to the issue of whether owners of companies have a right to know how that company is spending their money, the owners' money, on political activity. Ms. Fairfax, do the owners of companies have a right to know how the company is spending their money on political activities?

Ms. FAIRFAX. Thank you so much for your question, and just to get back, because I know Senator Brown was also concerned about this issue, as are, I understand, many others. On the issue of disclosure around political spending, I talked about initially what I know were concerns on the other side. I certainly am fully cognizant of the concerns that you are raising, that this is something that investors have really asked about, that certain investors absolutely believe it is material, and certainly to the extent what they are saying is that they believe it is material, both in terms of the type of information they want to know, but also in terms of thinking through whether or not spending is occurring in a way that is consistent with the corporation's best interest, then I think that is something that, obviously, we need to be taking into account and thinking through how best to respond.

Senator MERKLEY. Ms. Peirce, is spending other people's money and not informing them on political speech, is that still on speech?

Ms. PEIRCE. A corporation has the ability to spend money without checking every time it spends with its shareholders. Obviously, its goal is to increase the value of the corporation. And, the rules in terms of disclosure are rules that apply across the board to all types of issues, including the issue that you raise.

Senator MERKLEY. But, there is no rule for disclosure in this area and the SEC has refused to do it. Is it not a valid interest of an owner to know how political speech is being conducted with their money?

Ms. PEIRCE. Again, as Professor Fairfax noted, there are a lot of people who have expressed an interest in that, and if that issue were to come up at the SEC, it is one that I would certainly look at and listen to the concerns raised by folks who have raised them.

Senator MERKLEY. You would listen to people, but you do not have any opinion on whether a company spending your money—you are a stockholder—on political speech without your permission is OK? No opinion on that?

Ms. PEIRCE. In terms of the SEC's role, the SEC's role is to get information to investors so that they can make their investment decisions, and that is the lens through which I would view this.

Senator MERKLEY. So, it has often been argued that an individual who disagrees with the political spending of the company can just sell their stock, that it is an easy exit. But, how can that individual use that easy exit ramp if they never get information about how that company is spending money on political speech? Is it not essential to have that information in order for the exit ramp, or the on ramp, to be utilized?

Ms. PEIRCE. Again, I think that the issue of political spending should be viewed through the same lens that other disclosure issues are in terms of other things that the company is spending its money on.

Senator MERKLEY. Thank you, Mr. Chairman.

Chairman SHELBY. Senator Warren, do you have further questions?

Senator WARREN. I do. Thank you, Mr. Chairman.

So, I want to focus on this question about who makes decisions. Ms. Peirce, your writings suggest that you believe that the SEC's purpose is to empower investors to make their own informed deci-

sions. For example, in 2014, you wrote that, quote, "The SEC's approach too often entails making decisions for investors rather than providing them a framework within which to make their own choices."

In 2013, SEC Chair White gave a speech in which she said that the SEC should review corporate disclosure requirements with an eye toward eliminating disclosures that the SEC did not think were helpful to investors, and you praised that decision in an article, writing that Chair White's speech, quote, "recognizes that too much disclosure can harm the investors for whom it is purportedly designed."

So, I want to sort this out, because it looks like to me your positions are directly contradictory. You want the SEC to empower investors to make their own choices and you do not want the SEC to make choices for them. So, why would you want the SEC to be the one to decide that certain information is not relevant to investors?

Ms. PEIRCE. I think often in the area of disclosure, we want to look at the presentation and the balance and make sure that information that is important to investors is not lost in a mountain of information.

Senator WARREN. Well, thank you, Ms. Peirce, but that is not my question. My question is not whether or not you want to get it organized in a way that makes sense for people. My question is why you would want to cut out information if investors think that it is important to them.

Ms. PEIRCE. I think the goal is, and certainly what my understanding of what the SEC is doing through the Disclosure Effectiveness Review, is to try to find out what users of financial statements, what investors who are using financial statements to make decisions, what information they need, how investors——

Senator WARREN. Wait, what information you think they need or what information they think they need?

Ms. PEIRCE. What the SEC is trying to do is it is trying to get information from all of the relevant investors and trying to get as much feedback as it can in making those determinations. It is actively reaching out——

Senator WARREN. Well, good. Then, let me ask a question that is a follow-up here. If the investor community wants fewer disclosures, that makes perfect sense to me. I completely get that. But, investors like getting those disclosures. That seems like a pretty good indication that investors find that information relevant to the decisions they make.

So, would you oppose eliminating any disclosures that the investor community wants to keep?

Ms. PEIRCE. Yes. I would like to understand who the investor community is and I would like to understand, you know, that is important when you are trying to figure that out. You are trying to figure out who has expressed the opinions that they want the information, and certainly——

Senator WARREN. But, ultimately, what you are driving for, driving toward, is if the investors want the information, then you would say, let us not eliminate it, is that right?

Ms. PEIRCE. SEC disclosure is intended to provide the reasonable investor the information she needs to make her investment decision.

Senator WARREN. OK. But, you have said, let us let the investors make the decisions. So, now, let me ask the question the other way. If a million investors want the SEC to require public companies to disclose corporate political contributions because those investors believe that it is relevant information for their investing, will you support them, assuming that the contributions are material to the company's finances?

Ms. PEIRCE. Again, the company should be making disclosures of material items.

Senator WARREN. Well, but I am asking you the question about who decides what is important to investors. So, if a million investors, or, let us pick another number, exactly 1.2 million investors, say it is relevant to me as an investor to have this piece of information, that is, what corporations are spending in the political realm, would you support them in that? After all, you said you thought it was important that the SEC not make decisions for investors, but rather that you provide a framework for which they could make their own decisions.

Ms. PEIRCE. If a particular disclosure requirement comes up while I am at the Commission, if I am confirmed, I would certainly look at the letters that came in as well as other people who——

Senator WARREN. You are going to be there a long time, because there is already, I think, 1.2 million letters. You know, if the SEC wants to impose fewer restrictions on investors' decisions, then those investors need robust disclosures so they can make their own informed decisions, and you just cannot have it both ways on this one.

I want to raise one other question, and I will be quick on this one, Mr. Chairman. After the Enron accounting disaster, Congress created the Public Company Accounting Oversight Board, or PCAOB. The PCAOB oversees accounting firms to ensure that they are not misleading investors and that the public have—not misleading investors or the public about the financial condition of the companies that they are auditing.

The SEC oversees the PCAOB and appoints its five members, including the chairman. The term of the current chairman has expired—it expired in October of last year—and SEC Chair White recently announced the SEC will decide on the next chair as soon as the two vacancies on the Commission are filled.

Now, when it created the PCAOB, Congress required that the SEC select its members to serve on the board who are, quote—and I want to read this—"prominent individuals of integrity and reputation who have a demonstrated commitment to the interests of investors and the public and an understanding of the responsibilities for and nature of the financial disclosures required of the issuers under the securities laws and the obligations of accountants with respect to the preparation and issuance of audit reports with respect to such disclosures." Demonstrated commitment to the interests of investors and the public.

So, my question is, Professor Fairfax, if you are confirmed as an SEC Commissioner, will you oppose the appointment of a PCAOB chairman who does not meet those legal requirements?

Ms. FAIRFAX. So, certainly, I think that my role, if I am fortunate enough to be confirmed as Commissioner, is to follow the law——

Senator WARREN. So, you only need one word here.

Ms. FAIRFAX. [Laughter.] The answer is, to the extent that I come to a reasoned judgment that it is the case that someone before me may not be qualified by whatever the criteria within the law is, then I do think it is my obligation to not confirm that person.

Senator WARREN. So, if they do not have a demonstrated commitment to the interests of investors and the public, you are a no?

Ms. FAIRFAX. Again, I will follow the law, and to the extent that those——

Senator WARREN. It is there.

Ms. FAIRFAX. ——are the things I am supposed to be looking for, then that will——

Senator WARREN. We already did our part.

Ms. FAIRFAX. ——impact my decision.

Senator WARREN. All right. Ms. Peirce, how about you?

Ms. PEIRCE. If that issue comes up, I will follow the law in applying it.

Senator WARREN. Thank you. It is important for this board to function as intended and I look forward to the SEC following Congress' direction and appointing a highly qualified individual to serve as the PCAOB's chairman.

Thank you, Mr. Chairman.

Chairman SHELBY. Senator Merkley, you have another question.

Senator MERKLEY. Yes. I think I have one last question, Mr. Chairman. Thank you, Mr. Chairman.

So, it has been 3 years since the Volcker Rule was finalized, and last year, the rule went into effect. The challenge is that it—the Volcker Rule sought to distinguish between proprietary trading, which was banned, and market making, which is not. The basic common explanation of the difference is between when you bet on a warehouse full of something, that is proprietary trading. When you have a retail outlet with a few loaves of bread for the customer, that is market making.

And, so, there is a boundary necessary to distinguish between the two for both the benefit of the companies and the benefit of the regulators. However, the final rule did not include specific parameters for enforcement and compliance and this lack of clear guidance makes it difficult, not for just those in Congress or the public to understand, but for those in the industry and for the regulators. What are the metrics that are going to be applied? What are the quantitative thresholds that would determine whether or not a bank is engaged in proprietary trading, or even what are the proper steps that must be initiated if a bank is to be found noncompliant?

For enforcement of this boundary, this boundary must be absolutely clear. Would you, Ms. Fairfax, do everything possible in your role as an SEC Commissioner to make that boundary between proprietary trading and market making clear?

Ms. FAIRFAX. It is a very good question. Obviously in order to enforce the laws about something, you have got to know exactly what they apply to. Volcker obviously just took effect, and so thinking about what its impact is is important and how we manage its impact. I do think, if I am fortunate enough to be confirmed as Commissioner, I will work with the staff and other parties to try to make sure that we are clear on that line, and you are right, it is important both for purposes of the industry to understand where that line is and also for purposes of regulators to understand, how best to monitor whether or not people are stepping over that line.

Senator MERKLEY. Ms. Peirce this concern, which is important to the financial firms and to the regulators so that they all know the rules of the game, do you support a clear definition, understanding, boundary, between market making and proprietary trading?

Ms. PEIRCE. Yes. I think it's important to write clear rules that enable people to behave, knowing that they are in compliance with the law, and then for the enforcers to know how to enforce the rule.

Senator MERKLEY. Do you anticipate that you would contribute to the conversation about how to make this boundary clearer for the sake of all involved?

Ms. PEIRCE. Yes. I certainly would welcome the opportunity to work with the staff, who have been looking at this in detail, and with my fellow Commissioners if I were to be confirmed.

Senator MERKLEY. Thank you.

Chairman SHELBY. We thank all of you for your appearance here today. We will try to get the Committee together as soon as we can and try to move you to the floor and go from there, your nominations.

There has been a lot said here today about following the law. That is important. But, I hope that the President will follow the law, the Dodd-Frank Act, which Senator Warren had a lot of influence in. It has been nearly 6 years, and he could appoint a member of the Board of Governors to be the Vice Chair of the Fed that we could have some interaction and some dialog with on regulatory affairs, both ways. He has not done that yet. I hope he will follow the law, and I hope you will follow the law.

Thank you very much.

[Whereupon, at 12:04 p.m., the hearing was adjourned.]

[Prepared statements, biographical sketches of nominees, responses to written questions, and additional material supplied for the record follow:]

PREPARED STATEMENT OF MATTHEW RHETT JEPPSON

TO BE DIRECTOR OF THE U.S. MINT

MARCH 15, 2016

Thank you, Mr. Chairman, Senator Brown, and distinguished Members of the Committee. I am honored to appear before you today. Thank you for your time—and I would like to thank President Obama for the trust he has placed in me by nominating me to serve as the United States Mint's 39th Director.

Although they were not able to be here with me today, I want to acknowledge my wife Renee and our children—Holly, Heidi, Hayden, and Hans.

Before I outline some of the initiatives I would prioritize if I have the privilege of being confirmed as the next Director of the United States Mint, I would like to share with the Members of the Committee a little about my background and how my professional experiences have prepared me for the position.

My life and career have not always followed a conventional, predictable path. I moved to Florida from Utah when I was 16 and graduated from the University of Florida with a degree in history. After college I was commissioned in the United States Marine Corps, where I served as an infantry officer.

My service as a Marine—from those early days leading Marines in combat, breaching into Kuwait during Desert Storm, to my service as the Deputy Director of Operations for United States Forces in Afghanistan—developed in me a profound love of the Corps and its Marines. They are truly are my brothers and sisters. In January, I retired from the Marine Corps with nearly 28 years of combined active and reserve service. These years of service have influenced who I am, shaped how I interact with my colleagues, and imbued in me an approach to leadership and management that I believe will be an asset to the United States Mint if I am confirmed. A constant thread throughout my career has been a focus on, and commitment to, individuals and how they fit into the larger organization—from the Marine on the ground to the Mint employee on the manufacturing floor making coins.

During my last deployment to Afghanistan, I served as Deputy Director of Operations for United States forces leading up to and during the troop surge in 2009 and 2010. These were enormous, complex military operations that gave me valuable skills for leading the United States Mint's workforce of approximately 1,700 dedicated men and women here in Washington and at five facilities across the country—Philadelphia, West Point, Fort Knox, Denver, and San Francisco.

Mr. Chairman, in the early 1990s, my life and career took an unexpected turn when my father, who was running a small construction business, became seriously ill and I assumed responsibility for running the business for a number of years. I was young at the time and faced a steep learning curve. But I felt like it was my duty to my family to see it through while my Dad recovered. The experience gave me valuable skills that help me relate to employees at the United States Mint across our facilities, who range from marketing specialists to graphic designers, sculptors, die setters, press operators, IT specialists, financial analysts, engineers, police officers, human resources specialists, and other functions.

Later, I served as Florida's Director of State Purchasing. While overseeing $12 billion in State contracts, we developed a new electronic procurement system and modified the way we bought goods and services, saving the State millions of dollars by leveraging technology to make the State more efficient and accountable.

Before coming to the United States Mint, I was the Acting Chief Operating Officer at the United States Small Business Administration (SBA), overseeing all aspects of the agency's disaster relief and risk management efforts, personnel, facilities, information technology, and equal opportunity programs.

I was also proud to serve as the Associate Administrator for Veterans' Business Development at SBA for 2 years, helping Veterans conceive, fund, start, build, and grow their own businesses. I assumed responsibility for an office that was facing major challenges at the time. With the help of my team, we transformed the office, making it a model of cooperation for SBA by using public–private partnerships between educational institutions and corporations to leverage scarce resources and make enormous strides for Veterans seeking to start small businesses.

Mr. Chairman, since January 2015, I have had the honor of serving as the Principal Deputy Director of one of our country's oldest and most venerable public institutions. Congress established the United States Mint early in the life of our republic in 1792; making coins is one of the explicit powers given to Congress by Article I of the Constitution. We have a rich history and important role in the financial and commercial fabric of our country.

David Rittenhouse—renowned American astronomer, inventor, clockmaker and close friend of George Washington—was the first Mint director. Rittenhouse believed

that coin design was a form of art. And President Theodore Roosevelt, who personally commissioned the redesign of American coinage early in the 20th century, believed that coin design should reflect our history, values, and heritage. The beliefs of Rittenhouse and President Roosevelt live on today in our employees and in the products we offer.

Nearly 225 years after its founding, the modern United States Mint is a vibrant, efficient, and lean organization. General and administrative costs in fiscal year 2015 decreased by 9 percent compared to fiscal year 2014 and 46 percent compared to fiscal year 2009. And although circulating coinage operations grew to meet increased Federal Reserve Bank demand, we decreased the overhead costs at our manufacturing facilities by 4 percent compared to fiscal year 2009.

In fiscal year 2015, the United States Mint returned $550 million in circulating seigniorage—the difference between the face value and cost of producing circulating coins—to the Treasury General Fund. In fact, the Federal Reserve's demand for circulating coinage is at its highest level since 2006. This tells us that coins are still very relevant and that our mission at the United States Mint is as important as ever.

To meet the public demand, we are recruiting more talented and hard-working professionals to join our ranks, including military Veterans, and investing more in their training, development, and advancement. Veterans currently make up 35 percent of our workforce across the Mint. Since I became the Mint's Principal Deputy Director, we are continuing to exceed our goal that 40 percent of all new hires be Veterans.

All of this progress over the last 5 years is a testament to the commitment of our employees, as well as the leadership of Secretary Lew and Treasurer of the United States Rosie Rios. I assure you that I intend to remain on this sound financial path if confirmed as the Mint's next Director.

Mr. Chairman, when I came to the agency in January 2015, the first thing I wanted to do was to hear from our employees about their jobs—what they appreciate, what they would like to change about the organization, and how I could help. I set out to visit each facility and meet face-to-face with as many employees as I could. Their advice and ideas helped me set priorities for the bureau, such as helping all our employees get the training they need to advance their careers. This investment in human capital will not only address the demographic challenges associated with an aging workforce but will also help us to continue to meet the increased demand for coinage.

Soon after I came to the Mint, it became apparent that our employees would be better served if all our human resources functions were aligned under the Workforce Solutions Department at headquarters, allowing the sharing of resources and development of technical expertise. This realignment led to benefits such as HR Solution Centers—small teams of experts who foster knowledge management and create consistency across the organization.

Mr. Chairman, to satisfy the Nation's demand for numismatic coins, it is important that we take advantage of every opportunity to improve the experience of the American consumers who buy our products while exercising prudent stewardship of the public resources that are entrusted to us. As a part of our commitment to embracing a culture of continuous improvement in all aspects of our operations, we have invested in two significant technological innovations that are already showing positive results for our customers and our mission. First, in July 2015, we launched a new mobile app—MyUSMint—a first for the bureau. It allows smart phone users to learn about Mint history and order our products from their phones. The app provides an important new method for the public to interact with the Mint. It netted nearly $550,000 in sales within its first few weeks of operation and has received a very high user rating.

The new online catalog and order management system deployed in the fall of 2014 was a much-anticipated overhaul of a 14-year-old legacy system. This new system includes:

- an enhanced customer experience with advanced functionality;
- a more responsive Web site;
- improved order tracking and issue resolution;
- better order status transparency; and
- improved access to the product catalog from all types of devices

This new, end-to-end solution offers cost and processing efficiencies and greater opportunities to capitalize on retail and e-commerce industry best practices. As of March 7, the new system had processed more than $548 million in sales and shipped approximately 6.8 million products to customers.

Both of these technological innovations have presented unique opportunities to better engage with our customers and the general public. We are changing as an organization to better serve our customers and using modern technology such as sophisticated robotics for packaging and enhanced manufacturing processes at the plants to improve our operations and invest in our employees and their safety.

Mr. Chairman, the United States Mint is a lean, cost-effective, transparent organization. We accomplish our core mission to produce circulating coins, precious metal bullion coins, and collector coins and medals to meet the needs of the Nation and protect our national precious metals reserves. If I am confirmed as the Mint's next Director, I pledge to continue meeting that core mission.

I believe the United States Mint reflects the very best of our Nation. Our motto—Connecting America Through Coins—has real meaning, since the designs, themes, and subjects depicted on our coinage represent our shared values, history, and culture—who we are and what we believe to be important as a country.

If I have the privilege of earning the Senate's confirmation as the next Director of the United States Mint, I pledge to all of you that I will fulfill my responsibilities with pride and integrity. I will never forget that I serve the public and will always strive to uphold the trust placed in me by the President of the United States and the Members of this Committee. I also look forward to working with this Committee, the Senate as a whole, and the House of Representatives to serve the American people.

It has truly been an honor to serve with my colleagues at the United States Mint for the past 14 months. I thank you all, once again, for your time, interest, and consideration. I appreciate the opportunity to speak with you today and look forward to your questions.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: **Jeppson** (Last) **Matthew** (First) **Rhett** (Other)

Position to which nominated: **Director of the United States Mint**

Date of nomination: **July 13, 2015**

Date of birth: **9** (Day) **JAN** (Month) **1965** (Year) Place of birth: **Murray, Utah**

Marital Status: **Married** Full name of spouse: **Carla Renee Jeppson**

Name and ages of children: **Holly Anne Richards (25), Heidi Leigh Jeppson (21), Hayden Mark Jeppson, (19), and Hans Meigs Jeppson (12)**

Education:

Institution	Dates attended	Degrees received	Dates of degrees
University of Florida	**1986-1987**	**BA**	**Dec 1987**

Honors List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships and any other special recognitions for outstanding service or achievement.

Defense Meritorious Service Medal (3)
Joint Commendation Medal (4)
Joint Achievement Medal (3)
Army Achievement Medal
Combat Action Ribbon
Joint Meritorious Unit Award (2)
Selected Marine Corps Reserve Medal (6)
National Defense Service Medal
Armed Force Expeditionary Medal
Southwest Asia Service Medal
Sea Service Deployment Ribbon (3)
Navy and Marine Corps Overseas Service Ribbon
Armed Forces Reserve Medal (3)
NATO Medal – ISAF
Afghanistan Campaign Medal
Global War on Terrorism Service Medal
Kuwait Liberation Medal (SA)
Kuwait Liberation Medal (K)
Marine Corps Parachute Badge

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

None

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and inclusive dates of employment.

January 2015-Present **U.S. Mint**
Washington, D.C.
Principal Deputy Director

April 2012– January 2015 **U.S. Small Business Administration**
Washington, D.C.
April 2012 – September 2014 Associate Administrator, Office of Veterans Business Development
October 2014 – January 2015 Acting Chief Operating Officer

September 2010 – April 2012 **U.S. European Command**
Stuttgart, Germany
Lead Crisis Response Planner

April 2009 – April 2010 **U.S. Forces Afghanistan**
Kabul, Afghanistan
Deputy Director of Operations

March 2004 – March 2009 **U.S. Special Operations Command**
Tampa, FL
March 2004 – September 2007 Chief of Joint National Training Capability (JNTC) Branch
October 2007 – March 2009 European Engagements Lead

September 2001 – July 2003 **Marine Forces Europe**
Stuttgart, Germany
Chief of Current Operations, Counter-Terrorism Planner

October 1999 – March 2004 **State of Florida**
Tallahassee, FL
Director of State Purchasing, Special Assistant to the Secretary
Deputy Pari-Mutuel Wagering

September 1995 – June 1999 **Special Operations Command Central**
Tampa, FL
Operations / Exercise Officer

October 1992 – August 1995 **E. Mark Jeppson, Inc.**
Blountstown, FL
Vice President

October 1991 – September 1995 **U.S. Marine Corps Reserves**
Tallahassee, FL
Company Executive Officer

January 1989 – September 1991 **1st Marine Division**
Camp Pendleton, CA
Principal Battalion Staff Officer,
81mm Mortar Platoon Commander, Rifle
Company Executive Officer, Rifle Platoon Commander

Government experience:

List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part time service or positions.

None (other than listed above)

Published Writings:

List the titles, publishers and dates of books, articles, reports or other published materials you have written.

Articles/Blogs written while working at the SBA:

- **A Flag Day Salute to U.S. Veterans - June 11, 2014**
- **SBA Announces Boots to Business: Reboot - June 10, 2014**
- **Top 5 Small Business Administration Resources for Veterans - April 08, 2014**
- **SBA Announces New Measure to Help Get Small Business Loans Into the Hands of Veterans - November 08, 2013**
- **Take Time this 4th of July to Learn about SBA Programs & Initiatives for Veteran Entrepreneurs - July 03, 2013**
- **SBA Has a New Initiative to Help Veterans Access Capital and Become Entrepreneurs or Expand Existing Businesses - May 21, 2013**
- **Celebrating Veterans and America's 2.4 Million Veteran-Owned Small Businesses - November 09, 2012**
- **Operation Boots to Business Introduces Returning Veterans to Entrepreneurship - July 12, 2012**
- **Memorial Day – SBA Honors and Remembers the Fallen By Supporting Veteran Entrepreneurs and Military Families - May 25, 2012**

Political Affiliations and activities:

List memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

None

Political Contributions:

Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify specific amounts, dates, and names of recipients.

None

Qualifications:

State fully your qualifications to serve in the position to which you have been named.

The Director of the U.S. Mint is accountable for ensuring that the Mint effectively executes its mission to serve the American people by manufacturing and distributing circulating, percious metal, and collectible coins and medals. It also secures assets entrusted to its care. Throughout my career in military and public and private sector, I have gained extensive experience working to optimize organizational performance. If confirmed, I look forward to applying skills obtained throughout my professional career at the U.S. Mint and to working with Congress on policy matters related to the Mint's operations. (My resume is attached for your consideration.)

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

   N/A as I am currently employed by the U.S. Mint.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

   No.

3. Has anybody made you a commitment to a job after you leave government?

   No.

4. Do you expect to serve the full term for which you have been appointed?

   Yes.

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

   None.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

   None.

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

   None.

4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

   None.

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

   N/A

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or

investigation.

During my tenure as the Associate Administrator of the Office of Veterans Business Development at the U.S. Small Business Administration and as Principal Deputy Director of the U.S. Mint, I became aware of several instances in which I was party to an EEO complaint. To my knowledge, each instance has been resolved without a referral to the Equal Employment Opportunity Commission (EEOC) and with no action taken against me.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

N/A

Additional questions:

1. Have your tax returns been the subject of an audit in the past 10 years by Federal, State or local authorities, which resulted in a tax lien, levy or other collection enforcement action?

   No.

2. Are your tax returns currently the subject of any audit by a federal, state or local agency?

   No.

3. Have taxes always been paid on time, including Federal, State and local taxes, property taxes, business taxes and/or sale and use taxes, as well as taxes paid on behalf of any employees?

   I have made timely payments for state and federal tax liabilities with one exception. I transitioned from U.S. Marine Corps active duty to the reserves effective October 1991. In 1992, my father was diagnosed with and began receiving treatment for leukemia, which left him physcially unable to fullfil day to day management of his business, E. Mark Jeppson, Inc. At his request, I joined his company to help manage the business beginning in October 1992. In 1995, I was notified of the existence of an IRS lien against my wife and I in the amount of $61,695 from tax year 1993. After becoming aware of the lien, we paid the balance in full.

4. Currently, are there any liens on your real estate holdings and have there been any liens on these properties within the past 10 years?

   No.

5. Have you promptly filed all I-9 forms on behalf of any personal domestic or other employees?

   N/A

MATTHEW R. JEPPSON

EXPERIENCE

2015–Present U.S. Mint — Washington, DC
Principal Deputy Director

- Oversees production of all of the nation's circulating coins, bullion coins, numismatic products, Congressional Gold Medals and Congressionally-approved commemorative coins.
- Currently producing 15 billion circulating coins annually to meet demands of the Federal Reserve.
- Numismatic program has revenues in excess of $500 million annually.
- As world's largest manufacturer of these products, responsible for development and execution of a strategic plan that ensures our nation's requirements to sustain commerce are met.
- Oversees an annual budget of 4 Billion dollars and 1700 employees at six locations.
- Responsible for ensuring the safeguarding of the national gold reserve at U.S. Bullion Depository at Ft. Knox.
- Nominated by the President to be the 39th Director of the U.S. Mint

2012–2014 U.S. Small Business Administration — Washington, DC
Associate Administrator, Office of Veterans Business Development, Acting Chief Operating Officer

- Responsible for all aspects of agency's policies, programs and lending in support of Veteran Small Business Owners.
- Over the past two years the office has emerged a leading office within the agency with a 400 percent increase in budget and a doubling of staff.
- Responsible for engaging and coordinating with a wide range of Federal and State agencies, the White House, and Congress. Required to frequently testify in front of the Senate and House in support of office policy and programs.
- Served as the Acting Chief Operating Officer overseeing the offices of personnel management; disaster and risk management; facilities and grants management; employment and equal opportunity; and chief information officer.

2010–2012 U.S. European Command — Stuttgart, Germany
Chief of Joint National Training Capability (JNTC) Branch, European Engagements Lead

- Led development of European Command's (EUCOM) concept of support to African Command (AFRICOM) for combat operations in Libya, Odyssey Dawn.
- Developed command's participation in exercise X24-Europe, a joint experiment with San Diego State University, utilizing crowd mapping and social media in support of the foreign humanitarian assistance response.
- Led development the foreign humanitarian assistance course of action in response to flooding in the Balkans.
- Represented the command at numerous conferences and outreach events, strengthening the command's access and influence with the interagency, International Organizations, and Non Governmental organizations.

2009–2010 U.S. Forces Afghanistan — Kabul, Afghanistan
Deputy Director of Operations

- Deputy director of the operations for all U.S. Forces in Afghanistan during the largest force increase since combat operations in Afghanistan began.

- Developed concept and led initial efforts for a three star command to oversee the development of the Rule of Law in Afghanistan. This effort required close coordination with the Interagency, the United Nation in Afghanistan, selected partner nations, and the Afghan government.
- Assigned as the investigating officer for several sensitive investigation reporting directly to Commander ISAF/USFOR-A.
- Served as the U.S. operations officer to the command Reconciliation and Reintegration cell which examined and lead efforts to support the Afghan Government's reconciliation with senior Taliban leaders and the reintegration of Taliban fighters.

2004–2008 U.S. Special Operations Command Tampa, FL
Chief of Joint National Training Capability (JNTC) Branch, European Engagements Lead

- Served as USSOCOM lead for the command Training Transformation Efforts.
- Directed all Special Operations efforts in support of designated JNTC events including: exercise design, force assignment, scenario event development, and modeling and simulation.
- Led USSOCOM's participation in support of Mission Rehearsals for Operations Enduring Freedom and Iraqi Freedom.
- Key member of USSOCOM J7 program for Counter Terrorism Time Sensitive Targeting.
- Served a year rotation in Europe to developed and led the Command's engagement with key European Partners.

2001–2003 Marine Forces Europe Stuttgart, Germany
Chief of Current Operations, Counter-Terrorism Planner

- Directly responsible for employment of all USMC forces in Europe and Western Africa.
- Designated the lead Marine planner to the European Command's Counter-Terrorism Joint Planning Group.
- Selected as a member of a special unit for a mission in Northern Iraq in support of Operation Iraqi Freedom.
- Mobilized Oct 01 – June 03.

1999-2003 State of Florida Tallahassee, FL
Director of State Purchasing, Special Assistant to the Secretary

- Led e-Procurement project until being recalled to active duty in support of Operation Enduring Freedom.
- Oversaw all State Contracts and other statewide purchasing vehicles used to purchase in excess of $1 billion dollars annually
- Supervised a staff of fifty contract specialists, lawyers and administrative personnel.
- Key in the re-structuring and organizational re-alignment of the Department of Business and Professional Regulation (DBPR).
- Directed the activity-based costing program for the DBPR.
- Evaluating and selection official of a firm tasked to conduct business process re-engineering and automation for the DBPR

1995-1999 Special Operations Command Central Tampa, FL
Operations / Exercise Officer

- Duties included Principal Exercise Director for numerous Special Operations exercises and operations in Southwest Asia and the Horn of Africa, many with budgets in excess of 10 million dollars.

- Responsibilities comprised of coordinating training, deployment/re-deployment, logistics, and force protection with participating U.S. Forces (all services), the U.S. Embassy (Country Team) and Host Nation armed forces.

1992-1994 E. Mark Jeppson, Inc. Blountstown, FL
Vice President

- Operated family business, constructing custom, luxury homes.
- Responsible for daily operations, including contracting, material procurement, and project oversight.
- Acted as sole corporate officer while father underwent bone marrow transplant.

1989-1991 1st Marine Division Camp Pendleton, CA
Principal Battalion Staff Officer, 81mm Mortar Platoon Commander, Rifle Company Executive Officer, Rifle Platoon Commander

- Led a 150-Marine unit in support of a Marine Corps Combined Task Forces in a combat environment during desert storm.
- Responsible for all aspects of assigned Marines welfare and morale. Oversaw assigned unit's tactical training in various environments.

EDUCATION

1987 University of Florida Gainesville, FL

Bachelor of Arts —History

PREPARED STATEMENT OF LISA M. FAIRFAX

TO BE A MEMBER OF THE SECURITIES AND EXCHANGE COMMISSION

MARCH 15, 2016

Chairman Shelby, Ranking Member Brown, and Members of the Committee, thank you so much for giving me the opportunity to speak with you today. It is an incredible honor and privilege to appear before you as one of the President's nominees to be a Commissioner of the Securities and Exchange Commission.

Before I begin my remarks, I would like to briefly introduce my family members who are here with me. I am grateful to be joined today by my husband, Roger Fairfax, my three daughters, Fatima, Regina, and Nadia, my mother Elizabeth White, my mother-in-law Charlene Fairfax, my brother-in-law Justin Fairfax, and my sister-in-law Jennifer Fairfax. I have a large extended family and want to thank all of them, as well as all of my friends, for their incredible and continued support. I also would like to congratulate Hester Peirce who, like me, is here today as a nominee to serve on the Commission.

I sit before you today because I believe deeply in the importance of robust and healthy securities markets. I also believe deeply in the SEC's three part mission to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. I am honored and humbled by the prospect of potentially serving the Nation and its investors alongside the Chair, the other Commissioners, and the many staff members who work tirelessly to support the vital work of the SEC.

As a law professor, over the last 15 years I have had the privilege of teaching Corporations and Securities Law to the next generation of practitioners, judges, and regulators, so that they can understand the increasingly complex world in which companies must operate, markets must perform, and regulators must monitor. My teaching, along with my research and writing in these areas, have given me a deep understanding of the issues confronting the SEC, as well as a strong desire to help tackle those issues head on. My research and work with organizations such as the American Bar Association and FINRA have taught me the importance of engaging a variety of diverse perspectives when seeking to develop solutions to complex problems. I look forward to such engagement if I am fortunate enough to be confirmed.

Importantly, I believe that the SEC's three-part mission statement is more than a statement; it is a set of guiding principles that should shape every aspect of the agency's activities. It is also a set of principles that must work together.

I believe the SEC's work must be aimed at ensuring that investors are protected at all times, and that investors have confidence in the markets and the financial system.

The SEC also has a responsibility to facilitate access to needed capital for all participants in the market, from the corporation and small business owner in need of cash and credit, to the individual investing to support a family, finance a child's education, or ensure a comfortable retirement.

And all of these participants need assurances that their capital is safe and secure, which is why the SEC has a responsibility to maintain markets that are orderly, efficient, and fair. Everyone needs to play by the same rules, and there must be strong repercussions for those who break them.

Thank you again for the opportunity to appear before you today. If I am confirmed, I will work tirelessly to maintain the confidence that the President, this Committee, and the Senate will have shown in me. I look forward to answering any questions you may have.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Fairfax (Last) Lisa (First) **Monique (middle)** (Other)

Position to which nominated:

Date of nomination:

Date of birth: 13 November 1970 (Day) (Month) (Year) **Place of birth:** Bellflower, California

Marital Status: Married **Full name of spouse: Roger Anthony Fairfax, Jr.**

Name and ages of children:

Fatima Glovena Fairfax (19)

Nadia Alcynthia Fairfax (11)

Regina Charlene-Elizabeth Fairfax (17)

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Harvard Law School	9/1992-5/1995	JD	June 1995
Harvard College	9/1988-5/1992	AB	June 1992

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships and any other special recognitions for outstanding service or achievement.

Daily Record, Influential Marylander (2009)
Professor of the Year, University of Maryland School, May 2003
Professor of the Year, University of Maryland School of Law BLSA, March 2009
Professor of the Year, University of Maryland School of Law BLSA, March 2006
Professor of the Year, University of Maryland School of Law BLSA, March 2002
Lewis Research Fellowship (Harvard Law School)
Harvard College Scholarship for Academic Excellence (Harvard College)
Elizabeth Carey Agassiz Certificate of Merit (Harvard College)

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates

Georgetown Day School	Trustee Executive Committee and Board Secretary	6/2014-present 7/2015-present
DirectWomen Board Institute	Co-Chair	11/2012-present
The Association of American Law Schools	Section Chair, Securities Regulation Section Section Chair, Business Associations Section Chair, Planning Committee, Mid-Year Workshop on Transactional Law Executive Committee, Securities Regulation Section Executive Committee, Education Law Section	1/2013-1/2014 1/2009-1/2010 2008-2009 2004-2006 2001-2002
Massachusetts Bar	Member	1995-present
District of Columbia Bar	Member	1999-present
American Bar Association	Committee on Corporate Laws, Business Law Section Co-Chair, Governmental Corp. Law Committee, Business Law Section	 2007-2012 2008-2009
Financial Industry Regulatory Authority	National Adjudicatory Council (NAC) Chair, Waiver Subcommittee of NAC NASDAQ Market Regulation Committee	2008-2011 2009-2011 2008-2012
Securities and Exchange Commission	Investor Advisory Committee	9/2015-present
Minority Corporate Counsel Association	CLE Expo Faculty Advisory Board	2008-2009
Maryland State Judicial Training Institute	Business/Technology Case Management Program Advisory Committee Implementation Committee Curriculum Development Working Group	 2004-2009 2001-2003 2001-2003
Baltimore City Business and Technology Court	Advisory Council	2000-2009
District of Columbia Bar Association	Business Organization Section	2002-2004
National Bar Association	Secretary, Law Professor's Division Member	2002-2003 2002-2004

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and inclusive dates of employment.

- George Washington University Law School, Washington, D.C., Leroy Sorenson Research Professor of Law, 2009-present
- Georgetown Law Center, Visiting Professor of Law, Washington, DC, Fall 2006, Spring 2014
- University of Maryland School of Law, Baltimore, MD
  - Professor of Law and Director of Business Law Program, 2006 - 2009
  - Associate Professor (with tenure), 2004-2006; Assistant Professor, 2000-2004
- Ropes & Gray, Boston, MA and Washington, D.C., Associate, 1995-2000; Summer Associate, Summer 2003
- Arnold & Porter, Washington, D.C., Summer Associate, Summer 2004
- Professor Randall Kennedy, Harvard Law School, Cambridge, MA, Research Assistant, 1993-1994

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part time service or positions.

Securities and Exchange Commission, Investor Advisory Committee, 9/2015-present

Published Writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

Books and Book Chapters

SHAREHOLDER DEMOCRACY: A PRIMER ON SHAREHOLDER ACTIVISM AND PARTICIPATION (2011) (Carolina Academic Press, publisher)

The Elusive Quest for Director Independence in RESEARCH HANDBOOK ON THE ECONOMICS OF CORPORATE LAW 170-191 (2012) (Claire Hill and Brett McDonnell, eds.) (Edward Elgar Publishing, publisher)

The Social Ties that Bind Directors: Martha Stewart's Impact on Issues of Director Independence in MARTHA STEWART'S LEGAL TROUBLES 359-373 (2007) (Joan Heminway, ed.) (Carolina Academic Press, publisher)

CLEP® INTRODUCTORY BUSINESS LAW (2007) (Research & Education Association, publisher)

Law Review Articles

Separation Anxiety: A Cautious Endorsement of the Independent Board Chair, 47 Indiana L. Rev. 237 (2014)

Toward a Theory of Shareholder Leverage, UCLA L. Rev. Disc. (2014)

Mandating Board-Shareholder Engagement, 2013 U. Illinois L. Rev. 821

Sue on Pay: Say on Pay's Impact on Directors' Fiduciary Duties, 55 Arizona L. Rev. 1 (2013)

Introduction: Striking the Right Balance: Investor and Consumer Protection in the Financial Marketplace, 81 Geo. Wash. L. Rev. 663 (2013) (with Arthur Wilmarth)

Managing Expectations: Does the Director's Duty to Monitor Promise More than it Can Deliver?, 10 St. Thomas L. Rev. 416 (2012)

Government Governance and the Need to Reconcile Government Regulation with Board Fiduciary Duties, 95 Minn. Law Review 1692 (2011)

The Model Business Corporation Act at Sixty: Shareholders and their Influence, 74 Duke Journal of Law & Contemporary Problems, 19 (2011)

Revisiting Justifications for Board Diversity, Director Notes, The Conference Board, November 10, 2011

Board Diversity Revisited: New Rationale, Same Old Story? 89, North Carolina Law Review, 856 (2011)

On the Sufficiency of Corporate Regulation as an Alternative to Corporate Criminal Liability, 41 Stetson L. Rev. 117 (2011)

The Uneasy Case for the Inside Director, 96 *Iowa Law Review,* 127 (2010)

Virtual Shareholder Meetings Considered 40, *Seton Hall Law Review,* 1367 (2010)

Foreword—Corporate Governance and Securities Law Responses to the Financial Crisis, 5 J. Bus. & Tech. L. 1 (2010)

The Future of Shareholder Democracy, 84 Ind. L. J. 1259 (2009)

Delaware's New Proxy Access: Much Ado About Nothing?, 11 Transactions: Tenn. Bus. L. 87 (2009)

Tributes to Dean Karen Rothenberg, 68 Md. L. Rev. 755 (2009)

The Legal Origins Theory in Crisis 2009 B.Y.U. L. Rev. 1571

Shareholder Democracy on Trial: Some International Perspective on the Effectiveness of Increased Shareholder Power, 3 Virginia L. & Bus. Rev. 1 (2008)

Making the Corporation Safe for Shareholder Democracy, 69 Ohio State L.J. 53 (2008)

The Impact of the Sarbanes-Oxley Act on Non-Shareholder Constituents: A Silver Lining, But Will it Endure?, 3 J. Bus. & Tech. L. 417 (2008)

Easier Said Than Done: A Corporate Law Theory for Actualizing Social Responsibility Rhetoric, 59 Florida L. Rev. 771 (2007)

Foreword, Roundtable—The Criminalization of Corporate Law, 2 J. Bus. & Tech. L. 1 (2007)

The Rhetoric of Corporate Law: The Impact of Stakeholder Rhetoric on Corporate Norms, 31 J. Corp. L. 675 (2006)

Clogs in the Pipeline: The Mixed Data on Women Directors and Continued Barriers to their Advancement, 65 Maryland L. Rev. 579 (2006)

Foreword: A Symposium Exploring the Role and Impact of Women in a Changing Corporate Environment, 65 Maryland L. Rev. 301 (2006)

The Bottom Line on Board Diversity: A Cost Benefit Analysis of the Business Rationales for Diversity on Corporate Boards, 2005 Wisconsin L. Rev. 795

Spare the Rod, Spoil the Director?: Revitalizing Director Fiduciary Duty Through Legal Liability, 42 Houston L. Rev. 393 (2005)

Sarbanes-Oxley, Corporate Federalism, and the Declining Significance of Federal Reforms on State Director Independence Standards, 31 Ohio N. L. Rev. 382 (2005)

Some Reflections on the Diversity of Corporate Boards: Women, People of Color, and the Unique Issues Associated with Women of Color, 79 St. Jon's L. Rev. 1105 (2005)

Achieving the Double Bottom Line: A Framework for Corporations Seeking to Deliver Profit and a Public Benefit, 9 Stanford J. of Law, Bus. & Fin. 199 (2004)

The Thin Line Between Love and Hate: Why Affinity-Based Securities and Investment Fraud Constitutes a Hate Crime, 36 U.C. Davis L. Rev. 1073 (2003)

Form Over Substance?: Officer Certification and the Promise of Enhanced Personal Accountability under the Sarbanes-Oxley Act, 55 Rutgers L. Rev. 1 (2003) [reprinted in Securities Law Review 2004 (Donald Langevoort, ed.)]

The Sarbanes-Oxley Act as Confirmation of Recent Trends in Director and Officer Fiduciary Obligations, 76 St. John's L. Rev. 953 (2003)

Trust, The Federal Sentencing Guidelines, and Lessons From Fiduciary Law, 51 Catholic U. L. Rev. 1025 (2002)

Doing Well While Doing Good: Reassessing the Scope of Directors' Fiduciary Obligations in For-Profit Corporations with Non-Shareholder Beneficiaries, 59 Washington & Lee L. Rev. 414 (2002)[reprinted in 45 Corporate Practice Commentator 85 (2003) (Robert B. Thompson, ed.)]

With Friends Like These . . .: Toward a More Efficacious Response to Affinity-Based Securities and Investment Fraud, 36 Georgia L. Rev. 63 (2001)

When You Wish Upon A Star: Explaining the Cautious Growth of Royalty-Backed Securitization, 1999 Columbia Bus. L. Rev. 441

The Silent Resurrection of Plessy: The Supreme Court's Acquiescence in the 'Resegregation' of America's Schools, 9 Temple Pol. & Civ. Rts. L. Rev. 1 (1999)

Political Affiliations and activities: List memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

NONE

Political Contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify specific amounts, dates, and names of recipients.

Kenyan McDuffie 2014	$500	12/2013
Kenyan McDuffie 2012	$500	3/2012
Kenyan Forward 5's Future	$250	6/2010

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

A Statement of Qualifications is attached.

Future employment relationships: 1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

As described in my Ethics Agreement, I will upon appointment, take an unpaid leave of absence from my position as Professor at George Washington University. I will continue to participate in the George Washingon University defined contribution plan and supplemental retirement plans. Neither I, nor the University will make further contributions during my leave.

2. As far as can be foreseen, state whether you have any plans after completing

government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

Per the terms of my ethics agreement, upon appointment I will take a leave of absence from my position at the George Washington University, and plan to return upon completion of my term in office.

3. Has anybody made you a commitment to a job after you leave government?

Per the terms of my ethics agreement, upon appointment I will take a leave of absence from my position at the the George Washington University, and plan to return upon completion of my term in office.

4. Do you expect to serve the full term for which you have been appointed?

Yes.

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

As described in my Ethics Agreement, I will upon appointment, take an unpaid leave of absence from my position as Professor at George Washington University. I will continue to participate in the George Washingon University defined contribution plan and supplemental retirement plans. Neither I, nor the University will make further contributions during my leave.

In addition, I will continue to participate in the University of Maryland and Georgetown University defined contribution plan. Neither University makes any further contributions to my account.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the U.S. Securities and Exchange Commission's (SEC) Designated Agency Ethics Official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of the Ethics Agreement that I have entered into with the SEC's Ethics Official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government,

whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the U.S. Securities and Exchange Commission's (SEC) designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of the Ethics Agreement that I have entered into with the SEC's Ethics Official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

None.

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the U.S. Securities and Exchange Commission's (SEC) designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of the Ethics Agreement that I have entered into with the SEC's Ethics Official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

I was named defendant in a civil action, *McCrudden v. CFTC, et.al*, in the United States District Court, Southern District of New York, pursuant to which the defendant sued me along with several current and former members of the FINRA NAC, and several federal agencies including Commodity Futures Trading Commission, the National Futures Association, claiming violations of the Federal Tort Claims Act, defamation, libel and various common law violation in connection with the NAC's decision to suspend his FINRA membership. Litigation was filed on October 1, 2013. A total of 34 "FINRA individuals" were named. On September 8, 2014, the Court granted FINRA's Motion to Dismiss. No appeal was made.

2. Give the full details of any proceeding, inquiry or investigation by any professional

association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

N/A

Lisa M. Fairfax
Statement of Qualifications

My professional background, activities, and academic interests have given me extensive knowledge and insight regarding the issues confronting the Securities and Exchange Commission ("SEC"). These, coupled with an understanding of both legal rulemaking and experience with incorporating divergent views toward effective outcomes, make me well-suited to serve as Commissioner of the SEC.

My experience and qualifications are grounded in my teaching, research, and writing. I have taught in the corporate and securities area for the last fifteen years, teaching law school courses on Corporations and Securities Regulation, as well as an upper-level seminar in Securities Law. Teaching these courses not only has required me to maintain a high level of understanding of subjects ranging from corporate law and policy to securities regulation and securities fraud, but also has ensured that I keep abreast of legal and business developments and their practical impacts. Moreover, teaching these subjects has ensured that I think critically about how the law may evolve and the issues we may need to tackle in the future.

Furthermore, my research and scholarship has provided me with a rich understanding of a host of corporate and securities issues as well as an appreciation for the different perspectives regarding how the law should shape and address those issues. My research and writing has focused on corporate governance matters, boards of directors and their fiduciary obligations, securities fraud and enforcement, and shareholder rights and participation. In addition to numerous law review articles, I have authored a book on shareholder democracy and written a book chapter on board independence. As a result of my research and writing, I have an extensive understanding of a wide body of research pertaining to key corporate and securities law issues that gives me perspective regarding how best to assess legal rules in the field. I also have an extensive understanding of the diverse and often divergent views regarding the varied corporate and securities issues that the SEC must tackle, and how best to resolve or respond to those issues.

In particular, my research and scholarship in the corporate governance field gives me a unique perspective with respect to the securities laws and the issues impacting those laws. Indeed, our securities laws increasingly have intersected with issues related to corporate governance. My scholarly focus in that area therefore gives me a critically important lens through which to assess those laws and their impact on the SEC's mission.

My professional activities have enhanced my knowledge base and afforded me the opportunity to work with different constituents toward common resolution of thorny legal issues, while providing me with experience related to the complexities of rulemaking and enforcement. Three activities particularly highlight the benefits I have gained. I am a former member of the American Bar Association's Committee on Corporate Law's Section of Business Law, an invitation-only committee of the ABA, with responsibility for updating and reviewing the Model Business Corporation Act. My service on the Committee not only

enabled me to stay abreast of current issues, but also allowed me to gain an appreciation of how those issues could and should influence evolutions in the law. I also gained a familiarity with the process of developing and updating legal rules, which included the process of soliciting public comments and understanding how best to incorporate those comments into our rulemaking efforts. In addition, my work with the Committee included reaching consensus with fellow committee members on rulemaking efforts despite a wide range of views regarding how those efforts should take shape.

I am also a former member of the Financial Industry Regulatory Authority ("FINRA") National Adjudicatory Council, which reviews decisions rendered in FINRA disciplinary and membership proceedings. My service on the NAC provided me the opportunity to appreciate and understand issues effecting brokerage firms, securities representatives, and exchange markets, and also enabled me to understand the workings of a self-regulatory organization and its place within the broader corporate and securities law framework. The NAC also exposed me to the process of reviewing and assessing disciplinary matters and reaching consensus regarding how to resolve matters in a way that would promote the integrity of the markets and protect investors.

Beyond this, I have served as a Chair of both the Securities Regulation Section and the Business Associations Section of the Association of American Law Schools. In my role as chair of both sections, I proactively sought to ensure that any program we sponsored not only included people with views from a variety of perspectives within the academy, but also practitioners and former regulators.

Finally, my experience as an associate at the law firm of Ropes &Gray LLP will enhance my ability to understand and appreciate the impact of our regulatory system on corporations and their boards. While at Ropes & Gray, I worked with corporations, their boards, and senior executives, and also had the opportunity to work with a wide range of market participants including accountants, underwriters and brokers. That work provided me with an invaluable understanding of the business, regulatory and securities law issues confronted by corporations and their boards which will enhance my ability to be an effective Commissioner.

Taken together, I strongly believe that my background and experiences qualify me to serve as a Commissioner of the SEC. I have kept abreast of critical issues impacting the SEC and its important work. My general academic background has afforded me the ability to research and think critically about such issues, while my specific scholarly focus has given me a unique perspective regarding how best to resolve and understand those issues. In my professional activities, I have been able to translate research into practice. I also have gained invaluable experience working with people and groups who hold divergent views and have sought to find consensus around appropriate outcomes. If I am confirmed, these experiences and perspectives will help me to be an effective and valued SEC Commissioner.

PREPARED STATEMENT OF HESTER MARIA PEIRCE

TO BE A MEMBER OF THE SECURITIES AND EXCHANGE COMMISSION

MARCH 15, 2016

Chairman Shelby, Ranking Member Brown, and Members of the Committee, I am honored to appear before you today as one of the President's nominees to serve as a member of the U.S. Securities and Exchange Commission. It is a particular privilege to be considered for the SEC together with Professor Lisa Fairfax.

My desire to serve at the SEC is motivated by the conviction that the capital markets help unlock people's potential. Investors build their retirement nest eggs, their downpayments, and their children's college funds. Vibrant capital markets find and fund individuals and companies with brilliant ideas that can enhance people's lives and the Nation's prosperity.

My belief in the capital markets' ability to enrich our communities is built on lessons I have learned at the Peirce family dinner table, in classrooms at Case Western Reserve and Yale, and from mentors and colleagues throughout my career.

In the field of securities law, I found a natural way to combine my undergraduate degree in economics, my law degree, and my elementary school hobby of plotting stock prices. I wrote rules for investment companies and investment advisers as a staff attorney in the SEC's Division of Investment Management. I then worked for Commissioner Paul Atkins. Following my time at the Commission, I had the honor of working for then Ranking Member Shelby on the staff of this Committee. In all of these roles, I learned the importance of carefully crafted and well enforced laws and regulations in maintaining strong capital markets.

At the Mercatus Center at George Mason University, my colleagues share my passion for high-quality regulation and sound regulatory process. I have learned much from their careful scholarship.

Another set of lessons—this time about how to use regulation effectively to educate, protect, and empower investors—has come from my fellow members of the SEC's Investor Advisory Committee.

I would welcome the opportunity to apply these lessons to protect America's investors, preserve the integrity of our financial markets, and facilitate innovation and economic growth.

Thank you for allowing me to appear before you today. I look forward to answering your questions.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name:

Peirce Hester Maria

Position to which nominated: Commissioner, Securities and Exchange Commission

Date of nomination:

Date of birth: 12 October 1970 **Place of birth:** Cleveland, Ohio

Marital Status: Single **Full name of spouse: N/A**

Name and ages of children: N/A

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Yale Law School	Fall 1994-Spring 1997	JD	June 1997
Technical University of Vienna	Fall 1993-Spring 1994	N/A	N/A
Case Western Reserve University	Fall 1989-Spring 1993	BA	May 1993
Mayfield High School	Fall 1985-Spring 1988	High School	June 1988
USDA Graduate School	2000-2001	N/A	N/A

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships and any other special recognitions for outstanding service or achievement.

Fulbright Scholarship, Austria 1993-1994
College Awards

- Phi Beta Kappa
- Grawemeyer Scholarship for Study in Germany
- McMyler Award for Economics
- Barloon Award for Economics
- Kilpatrick Scholar/Athlete Award,
- Folberth Prize for German
- Grawemeyer Award for Research in Germany

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office	Dates
Investor Advisory Committee	Member	2014 to Present
District of Columbia Bar	Member	1999 to Present
District of Columbia Bar Small and Emerging Business Committee of the Corporation, Finance, and Securities Law Section	Co-Chairman	2014 to Present
Ohio Bar	Member (inactive currently)	1998-Present (Inactive Status: April 23, 1998 to October 15, 1998 and September 1, 1999 to Present)
Federalist Society	Member	1997, 2006, 2011 to Present
Weekly Bible Study Group	Co-leader	2013 to Present
Rockville Bible Fellowship	Member	1998 to Present
American Institute for Economic Research	Member	2000-2008
Literacy Volunteers of America	Literacy Volunteer	2002-2006
George Washington University Hospital Volunteer Program	Volunteer	2000 (est.)-2002 (est.)
American Council on Germany	Member	2007 to Present
Concerned Women for America	Member	2002 (est.) to 2013 (est.)
Career Fellowship at McLean Presbyterian Church	Member	2003 (est.) to 2007 (est.)
Libertarian Party of D.C.	Member	1999 (est.) to 2003 (est.)
Libertarian Party	Member	1992 (est.) to 2008 (est.)
Yale Law School Temporary Restraining Order Project	Member	1994
Yale Law School Federalist Society	Member	1994 (est.) to 1997
Yale Law Christian Fellowship	Member/Officer	1994 to 1997
Catholic Law Students' Association	Member	1994 to 1996 (est.)
Yale Law Students for Life	Member	1994 (est.) to 1997 (est.)
Yale Environmental Law Association	Member	1994 (est.) to 1996 (est.)
St. Mary's Catholic Church	Member	1994 to 1997
Morris Tyler Moot Court of Appeals Project at Yale Law School	Member	1995 (est.) to 1996 (est.)
Intervarsity Christian Fellowship	Member	1989 to 1993
Case Western Reserve University Cross Country and Track Teams	Member/Captain	1989-1993 (captain during part of this period)
Economics Honors Society at Case Western Reserve University	Member/Office	1991 (est.) to 1993
Phi Beta Kappa	Member	1993 (est.) to Present
National Parks Conservation. Association	Member	2013 (est.) to 2014 (est.)

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and inclusive dates of employment.

Director of Financial Markets Working Group and Senior Research Fellow, Mercatus Center at George Mason University, Arlington, VA (January 2012-Present)

Adjunct Professor, George Mason University Law School, Arlington, VA (Spring 2014 & Spring 2015)

Member, Investor Advisory Committee, Securities and Exchange Commission (August 2014 to Present)

Senior Counsel, Senate Committee on Banking, Housing, and Urban Affairs, Washington, DC (August 2008-December 2011)

Counsel to Commissioner Paul Atkins, Securities and Exchange Commission, Washington, DC (June 2004-August 2008)

Staff Attorney, Division of Investment Management, Securities and Exchange Commission, Washington, DC (April 2000-June 2004)

Associate, Wilmer, Cutler & Pickering (now WilmerHale), Washington, DC (Fall 1998-March 2000)

Clerk to Judge Roger Andewelt, Court of Federal Claims, Washington DC (Fall 1997-Fall 1998)

Summer Associate, Jones Day, Cleveland, OH (Summer 1997)

Summer Associate, Choate Hall & Stewart, Boston, MA (Summer 1996)

Summer Associate, Squire Sanders, Cleveland, OH (Summers 1995-96)

Fulbright Scholarship Recipient, Vienna Austria (Fall 1993-Summer 1994)

Research Assistant, Center for Regional Economic Issues at Case Western Reserve University, Cleveland, OH (Summer 1993)

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part time service or positions.

Member, Investor Advisory Committee to the Securities and Exchange Commission (2014 to Present)

Senior Counsel, Senate Committee on Banking, Housing, and Urban Affairs, Washington, DC (August 2008-December 2011)

Counsel to Commissioner Paul Atkins, Securities and Exchange Commission, Washington, DC (June 2004-August 2008)

Staff Attorney, Division of Investment Management, Securities and Exchange Commission, Washington, DC (April 2000-June 2004)

Clerk to Judge Roger Andewelt, Court of Federal Claims, Washington DC (Fall 1997-Fall 1998)

Published Writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

Books/Book Chapters

Hester Peirce and James Broughel, eds., Dodd-Frank: What It Does and Why It's Flawed (Mercatus Center 2012).

Hester Peirce, *The Financial Industry Regulator Authority: Not Self-Regulation After All* in Building Responsible Financial Regulators in the Aftermath of the Global Financial Crisis (Pablo Iglesias-Rosriguez, ed., Intersentia 2015), version available at http://mercatus.org/publication/financial-industry-regulatory-authority-finra-not-self-regulation-after-all.

Articles/Working Papers/Policy Briefs

Hester Peirce, *Regulating through the Back Door at the Commodity Futures Trading Commission*, 2 Harv. J.L. & Pub. Pol'y Federalist Ed. 321 (2015).

Hester Peirce, *Insurance Regulation in the Dodd-Frank Era* (Networks Financial Institute Summit Paper Mar. 17, 2015), http://www.indstate.edu/business/NFI/events/11AIPPS/docs/Insurance-Regulation-Peirce.pdf.

Hester Peirce and Stephen Matteo Miller, Small Banks By the Numbers: 2000-2014 (Mar. 17, 2015), http://mercatus.org/publication/small-banks-numbers-2000-2014.

Hester Peirce, Ian Robinson, and Thomas Stratmann, *How Are Small Banks Faring Under Dodd-Frank?* CATO INSTITUTE RESEARCH BRIEFS IN ECONOMIC POLICY No. 20 (Feb. 18, 2015), http://www.cato.org/publications/research-briefs-economic-policy/how-are-small-banks-faring-under-dodd-frank.

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Hester Peirce, *The Financial Industry Regulatory Authority: Not Self-Regulation after All* (Mercatus Center at George Mason University Working Paper January 2015), a version appeared in P. Iglesias-Rodríguez, ed., Building Responsive and Responsible Financial Regulators in the Aftermath of the Financial Crisis (Cambridge:Intersentia, 2015).

James K. Glassman and Hester Peirce, *How Proxy Advisors Became So Powerful* (Mercatus Center at George Mason University Working Paper November 2014), http://mercatus.org/publication/how-proxy-advisory-services-became-so-powerful.

Jerry Ellig and Hester Peirce, *SEC Regulatory Analysis: A Long Way to Go and a Short Time to Get* There, 8 BROOK. J. CORP., FIN. & COM. L. 361(2014).

Hester Peirce, *Securities Lending and the Untold Story in the Collapse of AIG* (Mercatus Center at George Mason University Working Paper 2014), http://mercatus.org/publication/securities-lending-and-untold-story-collapse-aig.

Abby McCloskey and Hester Peirce, Holding Financial Regulators Accountable: A Case for Economic Analysis (American Enterprise Institute Working Paper 2014), http://www.aei.org/publication/holding-financial-regulators-accountable-a-case-for-economic-analysis/.

Hester Peirce, Ian Robinson, and Thomas Stratmann, *How Are Small Banks Faring Under Dodd-Frank?* (Mercatus Center at George Mason University Working Paper 2014), http://mercatus.org/publication/how-are-small-banks-faring-under-dodd-frank.

Hester Peirce and Robert Greene, *Opening the Gate to Money Market Fund Reform*, 34 PACE L. REV. 1093 (2014).

Hester Peirce, *Troubleshooting: Finance and Innovation*, THE AMERICAN INTEREST (Aug. 22, 2014).

Hester Peirce, *Economic Analysis by Federal Financial Regulators*, 9 J. L. ECON. & POL'Y 569 (2013).

Hester Peirce and Robert Greene, *Rethinking the Volcker Rule, Mercatus on Policy* (Jan. 15, 2013), http://mercatus.org/publication/rethinking-volcker-rule.

Hester Peirce and Robert Greene, *The Federal Reserve's Expanding Regulatory Umbrella, Mercatus on Policy* (Apr. 3, 2013), http://mercatus.org/publication/federal-reserves-expanding-regulatory-umbrella.

Testimony and Comments

Hester Peirce, Examining Legislative Proposals to Preserve Consumer Choice and Financial Independence, Testimony before the Committee on Financial Services (June 11, 2015), http://mercatus.org/publication/examining-legislative-proposals-preserve-consumer-choice-and-financial-independence.

Hester Peirce, The Dodd-Frank Act and Regulatory Overreach, Testimony before the Subcommittee on Oversight and Investigations of the House Financial Services Committee (May 13, 2015), http://mercatus.org/publication/dodd-frank-act-and-regulatory-overreach.

Hester Peirce and Kristine Johnson, Rule Proposal to Implement the Comprehensive Automated Risk Data System (Feb. 4, 2015), https://www.finra.org/sites/default/files/notice_comment_file_ref/14-37_mercatus_comments.pdf.

Hester Peirce and Vera Soliman, Disclosure of Consumer Complaint Narrative Data, Public Interest Comment (Sept. 10, 2014), http://mercatus.org/publication/disclosure-consumer-complaint-narrative-data.

Hester Peirce, Legislation to Reform the Federal Reserve on Its 100-Year Anniversary, Testimony before the House Committee on Financial Services (July 10, 2014), http://mercatus.org/publication/legislation-reform-federal-reserve-its-100-year-anniversary.

Hester Peirce, Increasing the Effectiveness of the Bureau of Consumer Financial Protection in Protecting Consumers, Testimony Before the Financial Institutions and Consumer Credit Subcommittee of the House Committee on Financial Services (May 21, 2014), http://mercatus.org/publication/increasing-effectiveness-bureau-consumer-financial-protection-protecting-consumers.

Rethinking the Federal Reserve's Many Mandates on Its 100-Year Anniversary, Testimony before the House Committee on Financial Services (Dec. 12, 2013), http://mercatus.org/publication/rethinking-federal-reserves-many-mandates-its-100-year-anniversary.

Regulatory Landscape: Burden on Small Financial Institutions, Testimony before the House Committee on Small Business (Dec. 3, 2013), http://mercatus.org/publication/regulatory-landscape-burdens-small-financial-institutions

Hester Peirce and Robert Greene, Office of Financial Research Study Titled "Asset Management and Financial Stability," Public Interest Comment (Nov. 1, 2013), http://mercatus.org/publication/office-financial-research-study-titled-asset-management-and-financial-stability.

Hester Peirce and Robert Greene, Money Market Fund Reform; Amendments to Form PF (Sept. 17, 2013), http://mercatus.org/publication/money-market-fund-reform-amendments-form-pf

Regulatory Impacts: The Impact of Dodd-Frank on Community Banking, Testimony before the House Committee on Oversight and Government Reform (July 18, 2013), http://mercatus.org/publication/regulatory-burdens-impact-dodd-frank-community-banking.

Hester Peirce, Financial Market Utilities, Public Interest Comment (May 3, 2013), http://mercatus.org/publication/financial-market-utilities.

Op-Eds and Blogs

A full list is appended at Schedule F.

Political Affiliations and activities: List memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Member, Libertarian Party through 2009.

Political Contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify specific amounts, dates, and names of recipients.

N/A

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet) ***See Schedule E.***

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

   As described in my Ethics Agreement, which has been provided to the Committee, if confirmed, I will sever all such connections with the potential exception of continued participation in the Mercatus Center retirement plan. My participation will not include any additional contributions from me or any contributions from the Mercatus Center.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

   No.

3. Has anybody made you a commitment to a job after you leave government?

No.

4. Do you expect to serve the full term for which you have been appointed?

Yes.

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

If confirmed, I will resign from the Mercatus Center. I will continue to participate in the Mercatus defined contribution retirement plan. My participation will not include any additional contributions from me or any contributions from the Mercatus Center. In addition, I continue to participate in the 401(k) plan run by WilmerHale. My participation does not include any additional contributions from me or any contributions from WilmerHale.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the U.S. Securities and Exchange Commission's (SEC) Designated Agency Ethics Official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of the Ethics Agreement that I have entered into with the SEC's Ethics Official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the U.S. Securities and Exchange Commission's (SEC) designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of the Ethics Agreement that I have entered into with the SEC's Ethics Official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

None.

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the U.S. Securities and Exchange Commission's (SEC) Designated Agency Ethics Official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of the Ethics Agreement that I have entered into with the SEC's Ethics Official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

None.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None.

SCHEDULE E: STATEMENT OF QUALIFICATIONS

My academic and professional work provide an appropriate background for service as a Commissioner of the Securities and Exchange Commission (SEC).

My undergraduate study of economics gave me important insights about how the financial markets work and their critical role in the broader economy. My legal training highlighted the role that regulation plays in enabling the financial markets to serve effectively. My coursework included classes on securities law and administrative law.

I have spent most of my professional career working on issues related to financial regulation. After law school and a clerkship on the Court of Federal Claims, I joined a large law firm as an associate in the securities department. In that job, I worked on a range of issues from investment company regulation to securities enforcement and litigation. Many of my colleagues were alumni of the Securities and Exchange Commission. Their stories about their work at the Commission piqued my interest, and I applied for an opening in the Division of Investment Management.

As a Commission staff attorney, I wrote rules for investment companies. In addition to gaining a deeper understanding of mutual fund regulation, I acquired valuable experience about how the Division and the Commission operate. I learned a tremendous amount about the law and the industry from the seasoned securities attorneys with whom I worked.

After four years in the Division of Investment Management, I was detailed to the office of Commissioner Paul Atkins. This position, which eventually became permanent, provided me broader exposure to the Commission's work and to additional areas of securities law. In my four years in the Commissioner's office, I worked primarily on investment management and enforcement issues, but also got exposure to areas such as corporation finance, accounting, and market regulation. I had a wealth of opportunities to learn from staff across the Commission and from many outside parties—including industry, investors, and other regulators—with an interest in the issues before the Commission.

Following my time at the Commission, I had the opportunity to work on then Ranking Member Richard Shelby's staff on the Senate Committee on Banking, Housing, and Urban Affairs. Having joined the Committee staff in August 2008, I was quickly immersed in the unfolding financial crisis. The Committee staff sought to understand the regulatory and market factors that contributed to the crisis and to craft a legislative response to the crisis. This undertaking exposed me to many experts with a wide variety of viewpoints and experiences in the financial industry. In addition, frequent interaction with principals and staff from different financial regulatory agencies gave me good insight into the challenges regulators face as they try to craft and implement effective regulations.

After leaving the Committee, I was able to continue my work on financial regulation at the Mercatus Center at George Mason University. In addition to editing and contributing to a book about the Dodd-Frank Act, I have written on issues ranging from money market mutual funds to the use of economic analysis at federal financial regulators. Beyond this, serving on the SEC's Investor Advisory Committee with an experienced and diverse group of colleagues has given me new insights into ways the SEC can better serve investors.

SCHEDULE F: ADDITIONAL PUBLICATIONS

Hester Peirce, It's Not Glamorous, But a Very Necessary Financial Reform, Real Clear Markets (June 3, 2015), http://www.realclearmarkets.com/articles/2015/06/03/its_not_glamorous_but_a_very_necessary_financial_reform_101691.html.

Hester Peirce, Five Years Later, Dodd-Frank Is Looking Pretty Haggard, Real Clear Markets (May 20, 2015), http://www.realclearmarkets.com/articles/2015/05/20/five_years_later_dodd-frank_is_looking_very_haggard_101675.html.

Hester Peirce, Investors Are Eager to Fund a Responsible Puerto Rico, Real Clear Markets (May 6, 2015), http://www.realclearmarkets.com/articles/2015/05/06/investors_are_eager_to_fund_a_responsible_puerto_rico_101654.html.

Hester Peirce, The CFPB, Not What It Was Hoped To Be, The Hill (Apr. 29, 2015), http://thehill.com/blogs/pundits-blog/finance/240422-the-cfpb-not-what-it-was-hoped-to-be.

Hester Peirce, Regulation in the Form of Big Bank Coercion, Real Clear Markets (Apr. 22, 2015), http://www.realclearmarkets.com/articles/2015/04/22/regulation_in_the_form_of_big_bank_coercion_101634.html.

Hester Peirce, Bank Shareholders and Customers Take Backseat to Regulators, Real Clear Markets (Apr. 7, 2015), http://www.realclearmarkets.com/articles/2015/04/08/bank_shareholders_and_customers_take_backseat_to_regulators_101611.html.

Hester Peirce, Consumers Are Much More Powerful Than Their Government Protectors, Real Clear Markets (Mar. 25, 2015), http://www.realclearmarkets.com/articles/2015/03/25/consumers_are_much_more_powerful_than_their_government_protectors_101596.html.

Hester Peirce and Stephen Matteo Miller, The Small Bank Slide, The Hill (Mar. 23, 2015), http://thehill.com/blogs/pundits-blog/finance/236572-the-small-bank-slide.

Hester Peirce, We Must Resist Becoming "Bank-Centric" in the US, Real Clear Markets (Mar. 11, 2015), http://www.realclearmarkets.com/articles/2015/03/11/we_must_resist_becoming_bank-centric_in_the_us_101573.html.

Hester Peirce, No, Mr. Tarullo, We're Not All Macroprudentialists Now, Real Clear Markets (Feb. 25, 2015), http://www.realclearmarkets.com/articles/2015/02/25/no_mr_tarullo_were_not_all_macroprudentialists_now_101548.html.

Hester Peirce, Previewing the President's Announcement Changing the Fiduciary Standard (Feb. 23, 2015), http://mercatus.org/expert_commentary/previewing-presidents-announcement-changing-fiduciary-standard-financial-services-regulation.

Hester Peirce, Scrap Regulations that Thin the Ranks of Small Banks, American Banker (Feb. 23, 2015).

Hester Peirce, In Washington 'Austerity' is a 67% Budget Increase, Real Clear Markets (Feb. 11, 2015), http://www.realclearmarkets.com/articles/2015/02/11/in_washington_austerity_is_a_67_budget_increase.html.

Hester Peirce, What Australia Can Teach Us About Regulatory Hoarding, Real Clear Markets (Jan. 28, 2015), http://www.realclearmarkets.com/articles/2015/01/28/what_australia_can_teach_us_about_regulatory_hoarding_101508.html.

Hester Peirce, MetLife Goes to Court, The Hill (Jan. 16, 2015), http://thehill.com/blogs/pundits-blog/finance/229701-metlife-goes-to-court.

Hester Peirce, Dodd-Frank Most Likely to Be at the Root of a Future Crisis, Real Clear Markets (Jan. 14, 2015), http://www.realclearmarkets.com/articles/2015/01/14/dodd-frank_most_likely_to_be_at_the_root_of_a_future_crisis_101485.html.

Hester Peirce and Kristine Johnson, FINRA's Holiday 'CARDS', The Hill (Jan. 8, 2015), http://thehill.com/blogs/pundits-blog/finance/228908-finras-holiday-cards.

Hester Peirce, Laws Against 'Insider Trading' Come at a Great Cost, Real Clear Markets (Dec. 31, 2014), http://www.realclearmarkets.com/articles/2014/12/31/laws_against_insider_trading_come_with_a_great_cost_101451.html.

Hester Peirce, Drawn Up in the Dark of Night, Dodd-Frank's Uninteneded Consequences, Real Clear Markets (Dec. 17, 2014), http://www.realclearmarkets.com/articles/2014/12/17/drawn_up_in_the_dark_of_night_dodd-franks_unintended_consequences_101443.html.

Hester Peirce, Financial Industry Should Be Its Own Knight in Shining Armor, American Banker (Dec. 9, 2014).

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Hester Peirce, CFTC Rulemaking Process Needs Greater Scrutiny, Transparency (Nov. 28, 2014), http://news.heartland.org/newspaper-article/2014/11/28/cftc-rulemaking-process-needs-greater-scrutiny-transparency/.

Hester Peirce, A New Congress Must Perform Major Surgery on Dodd-Frank, Real Clear Markets (Nov. 19, 2014), http://www.realclearmarkets.com/articles/2014/11/19/a_new_congress_must_perform_major_surgery_on_dodd-frank_101397.html.

Hester Peirce, Backdoor and Backroom Regulation, The Hill (Nov. 10, 2014), http://thehill.com/blogs/pundits-blog/finance/223472-backdoor-and-backroom-regulation.

Hester Peirce, Regulatory Paranoia Is a Barrier to Wealth Creation, Real Clear Markets (Nov. 5, 2014), http://www.realclearmarkets.com/articles/2014/11/05/regulatory_paranoia_is_a_barrier_to_wealth_creation_101371.html.

Hester Peirce, Sorry William Dudley, Regulation Itself is the Culture Killer (Oct. 22, 2014), http://www.realclearmarkets.com/articles/2014/10/22/sorry_william_dudley_regulation_itself_is_the_culture_killer_101349.html.

Hester Peirce, License to Invest, The Hill (Oct. 15, 2014), http://thehill.com/blogs/pundits-blog/finance/220788-license-to-invest.

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Hester Peirce, Dodd-Frank at Four, PointofLaw.com (July 21, 2014), http://www.pointoflaw.com/archives/2014/07/dodd-frank-at-four.php.

Hester Peirce, The Gaping Hole in the Middle of Dodd-Frank, Real Clear Markets (July 16, 2014), http://www.realclearmarkets.com/articles/2014/07/16/the_gaping_hole_in_the_middle_of_dodd-frank.html.

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Hester Peirce, Dodd-Frank Is Not Living Up to Its Promises, Real Clear Markets (July 2, 2014), http://www.realclearmarkets.com/articles/2014/07/02/dodd-frank_is_not_living_up_to_its_promises_101152.html.

Hester Peirce, Stress Tests and Managerial Distraction, PointofLaw.com (June 28, 2014), http://www.pointoflaw.com/archives/2014/06/stress-tests-and-managerial-distraction.php.

Hester Peirce, FINRA's Fines, PointofLaw.com (June 20, 2014), http://www.pointoflaw.com/archives/2014/06/finras-fines.php#more.

Hester Peirce, On Its 80th, How Can the SEC Renew Its Mission?, Real Clear Markets (June 18, 2014), http://www.realclearmarkets.com/articles/2014/06/18/80_years_later_how_can_the_sec_renew_its_mission_101128.html.

Hester Peirce, AIG's Collapse: The Part Nobody Likes to Talk About, American Banker (June 16, 2014).

Hester Peirce, Operation Choke Point's Back Door, PointofLaw.com (June 14, 2014), http://www.pointoflaw.com/archives/2014/06/operation-choke-points-back-door.php.

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Hester Peirce, Second Circuit: Pragmatism Trumps Truth, PointofLaw.com (June 5, 2014), http://www.pointoflaw.com/archives/2014/06/second-circuit-pragmatism-trumps-truth.php#more.

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Hester Peirce, FSOC Designating in the Dark, PointofLaw.com (May 17, 2014), http://www.pointoflaw.com/archives/2014/05/designating-in-the-dark.php.

Hester Peirce, Conflict Minerals Conflict Continues, PointofLaw.com (May 8, 2014), http://www.pointoflaw.com/archives/2014/05/conflict-minerals-conflict-continues.php.

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RESPONSES TO WRITTEN QUESTIONS OF SENATOR BROWN FROM MATTHEW RHETT JEPPSON

Q.1. For more than 30 years, Congress has required that the Mint use only gold or silver mined within the U.S. in the past 12 months in any gold or silver coins, medals, or bullion. I support sourcing materials from U.S. companies, but I am concerned that the arbitrary time window and limitation to newly mined metals unnecessarily restricts the Mint's acquisition processes and undermines the Mint's efforts to produce the highest quality products in the most cost-effective way.

As Director of the Mint, would you consider acquiring metal for bullion from mines and other U.S. sources, including recycled metal facilities, if permitted by Congress, provided quality was maintained?

A.1. Yes. Currently, provisions in sections 5112 and 5116 of title 31, United States Code, require that any gold and silver purchased by the United States Mint (Mint) be from domestic natural deposits and that it be acquired within 1 year after the month in which the ore from which it was derived was mined.

The Mint's Office of Procurement, working in close collaboration with our Manufacturing Department, ensures that all of the gold and silver that the Mint purchases meets the Mint's stringent quality requirements, which cover such factors as purity and the grain size of the metal. If the law were changed to allow the Mint to purchase gold and silver from other U.S. sources, the Mint would consider all possible bullion blank sources permitted by law, including those from recycled metal facilities that would meet the Mint's quality requirements.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR CRAPO FROM LISA M. FAIRFAX

Q.1. I am interested in learning more about the policy issues raised in the amicus brief you signed in the Trinity Wall Street v. Walmart case. It is my understanding that the Trinity's shareholder proposal sought to have the Walmart board of directors address policies that could shape what products are sold at Walmart, such as high capacity rifles.

Where do you draw the line on shareholder proposals that seek to shape social policy and the ordinary business operations of a company?

A.1. My signing of the amicus brief in this case did not signal my taking any position on the underlying issue, or on a particular company or industry. Instead, my signing reflected my belief in the broader corporate governance principle that shareholder proposals must continue to strike a careful balance between boards and shareholders. Consistent with this balance, I believe that the appropriate line for shareholder proposals is one that allows boards and managers the discretion to oversee corporate affairs and implement day-to-day policies, but that also gives shareholders the ability they have been granted under Rule 14a-8 of the Securities and Exchange Act to communicate with the board regarding issues of significance.

Q.2. In its decision in 2015 the Third Court used a two-part test: (1) whether the proposal focuses on a significant policy; and (2) if so, whether that policy transcends the company's ordinary business operations.

What is the practical effect of this two-part test on the SEC ordinary business exclusion?

A.2. I have not had the opportunity to assess the practical impact of the Third Circuit's test on the ordinary business exclusion. However, in a 1988 Release, the SEC explained that proposals under Rule 14a-8(i)(7) relating to ordinary business matters that focus on "significant social policy issues . . . would not be considered to be excludable because the proposal would transcend the day to day business matters." As a general matter, therefore, a test examining whether a proposal focuses on significant policy issues, and whether such issues transcend ordinary business matters, appears consistent with SEC guidance on this matter. I also understand that, following the Third Circuit's opinion, the SEC staff has reaffirmed its view that shareholder proposals focusing on significant policy issues are not excludable under Rule 14a-8(i)(7) because such proposals would transcend day-to-day business matters. The SEC staff also has reiterated that it would continue to apply the SEC's prior interpretative approach under Rule 14a-8(i)(7) when considering whether proposals are excludable.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR CORKER FROM LISA M. FAIRFAX

Q.1. If you are confirmed as a Commissioner and the SEC Chair presents a rule being developed for your consideration, how would you go about forming a position on the rule? If the rule presented addresses a regulatory principle you fundamentally disagree with, would that change your approach?

A.1. If confirmed, and a rule is presented for my consideration, I would form my position by gathering as much information as I could to learn about the issues in the rule. I also would form my position by listening to the views of investors, corporations and their advisors, my fellow Commissioners and the SEC staff, and others with expertise and experience relevant to the rulemaking effort. My approach would remain the same for any rulemaking effort, and thus would not change based on the regulatory principle addressed by the rule.

Q.2. Can you envision an instance in which you would vote in favor of a rule that does not comport with your ideology but fits with the SEC's mission?

A.2. Yes, if I am confirmed as Commissioner, my rulemaking efforts will not be dictated by my personal preferences or interests, but instead by the extent to which a rule is mandated by Congress and is otherwise consistent with the SEC's three-part mission.

Q.3. Do you believe there are circumstances in which the SEC should not implement and enforce statutorily required rules? If so, what are those circumstances?

A.3. I believe the SEC has an obligation to follow the law, and that the SEC must do its best to implement and enforce mandated rules

in a manner that is responsible and consistent with the SEC's mission. While it may be appropriate for the SEC to voice concerns when it appears that a particular rule may be inconsistent with the SEC's mission or otherwise unworkable, I do not believe this negates the SEC's obligation to follow the law.

Q.4. What role do you believe the SEC should play in increasing corporate board diversity?

A.4. I believe the SEC has a responsibility to ensure that shareholders receive material information about a company and its operations. I understand that there are competing views about the impact of board diversity, including evidence indicating that diverse boards may behave similarly to nondiverse boards. However, I also understand that there are investors who believe that board diversity has a material impact on a corporation's governance, decision making, and bottom line. For such investors, disclosure about a corporation's diversity practices and current status enables them to make more informed voting and investment decisions. Thus, I support SEC efforts to provide shareholders with sufficient information on this issue.

Q.5. How do you view the SEC's role in overseeing the U.S. equity market structure? What changes, if any, do you believe should be made?

A.5. I believe maintaining and enhancing the high quality of the U.S. equity markets is critical to the SEC's mission. Markets have undergone sweeping changes from manual markets to the current environment in which trades occur at high frequencies in a diversity of trading venues. While these changes may be beneficial, they also raise important questions. I believe it is imperative that the SEC have a deep appreciation for the current structure of our equity markets so that it is in the best position to oversee those markets. If confirmed, it would be a top priority for me to continue the SEC's engagement in efforts that comprehensively review the equity markets. It also would be a priority for me to monitor and work on the process for developing and implementing a consolidated audit trail. I believe that establishing a consolidated audit trail will significantly enhance the ability to oversee and analyze trading activity, and enforce the rules. While there is potential for reform in a variety of other areas, I believe the results of the SEC's review will provide important insights about how such reform efforts should take shape. If confirmed, I would look forward to those results, and to working diligently toward needed reforms with the SEC staff and other interested parties.

Q.6. How would you approach consideration of a rule brought up by the Chair that attempts to increase capital formation?

A.6. If confirmed, my approach for consideration of any rule would be to gather as much information as I could about the issues in the rule, and to listen to the perspectives and concerns of those interested in, and impacted by, the rule. Facilitating capital formation is one of the three components of the SEC's mission. Therefore, if I am confirmed, I believe an essential aspect of my work would be to actively consider ways in which the SEC can facilitate access to capital for all market participants. I also believe that the SEC

should work to advance each aspect of its three-part mission. Thus, if I am asked to consider a rule related to capital formation, I also would carefully consider how the rule impacts investors and the markets.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR KIRK FROM LISA M. FAIRFAX

Q.1. There is no question that in the decade since Regulation NMS was adopted, U.S. trading markets have evolved considerably. I am pleased to see the Commission considering alternatives to the current structure, such as the implementation of the Tick Size Pilot program for smaller companies that is anticipated this fall. However, there are many structural items in need of review or consideration: access fees, market fragmentation, market data, and trade-at proposals to name a few. Should you join the Commission, will you commit to follow through on Chair White's pledge to look holistically at the equity markets and move toward needed reforms?

A.1. I believe maintaining and enhancing the high quality of the U.S. equity markets is critical to the SEC's mission. If confirmed, it would be a top priority for me to continue the SEC's engagement in efforts that comprehensively review the equity markets, and to work diligently toward needed reforms.

Q.2. Each of the current SEC Commissioners, in addition to former Commissioners Gallagher and Aguilar, have publicly called for the Commission to focus on completion of rules governing the security-based swap market, as mandated by Title VII of the Dodd-Frank Act. While I share concerns about the structure and benefits of Title VII, I also agree that continuing to delay these rulemakings only perpetuates market uncertainty. Given that the CFTC completed its rules 2 years ago, do you view the completion of Title VII rulemakings as a priority for the Commission?

A.2. Yes, I believe completing the rulemaking mandates under Dodd-Frank or otherwise mandated by Congress should be a top priority for the Commission.

Q.3. When questioned about the Department of Labor's fiduciary proposal, you indicated that protecting access to quality and appropriate advice is important, particularly for middle and lower income investors. Given that investor protection is paramount to the SEC's mission, how should the SEC act to preserve access to quality, affordable investment advice if the DOL's final rule results in the crowding out of such access for low- and middle-income investors? Do you believe that the rule as currently proposed would affect these investors' ability to access advice?

A.3. I believe that an appropriate fiduciary duty rule for broker-dealers rule is essential for ensuring that investors are protected. I also believe that any rule in this area must ensure that investors have access to quality, affordable investment advice that adequately considers their needs. It is also important that investment advice is transparent and free from inappropriate conflicts of interests. I have not seen the final version of the Department of Labor rule and thus I cannot speak to the impact it may have on investors' ability to access advice. However, I understand that concerns

have been raised about the extent to which the DOL rule would limit access to quality investment advice, particularly for lower- and middle-income investors. I also understand that the SEC consulted with the DOL staff about these and other concerns. I believe this kind of consultation and coordination is critical, and will help to ensure that issues involving investor access and protection are considered. I also believe that if a DOL rule is finalized and implemented, the SEC should continue to coordinate with the DOL to monitor the rule's impact, and that the agencies should work together to determine appropriate responses if concerns emerge. I also recognize that, consistent with Section 913(f) of the Dodd-Frank Act, the SEC staff has studied this issue, and the SEC has begun its own rulemaking efforts in this area. I believe that the SEC's efforts must be mindful of any DOL rule, and that the SEC must attempt to minimize any conflicts, confusion, or inconsistencies, while also ensuring that any rule it develops is consistent with the goals of protecting investors and ensuring their ability to access appropriate investment advice. If confirmed, I look forward to engaging on this effort at the SEC, coordinating with DOL on their efforts, and working to make certain that unnecessary costs or burdens are not imposed on investors or other market participants.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR SASSE FROM LISA M. FAIRFAX

Q.1. In your opinion, under what circumstances might it be appropriate for national securities regulations to preempt blue sky laws? Why?

A.1. As an initial matter, determining the appropriateness of a regulation seeking to preempt blue sky laws requires consideration of whether such preemption is consistent with governing legal and statutory principles. Beyond such consideration, I believe whether any SEC regulation (including a regulation aimed at preempting blue sky laws) is appropriate depends upon whether such regulation is consistent with the SEC's three-part mission. Thus, if a regulation calling for preemption is not consistent with investor protection, the maintenance of fair, orderly, and efficient markets, and the responsibility to facilitate capital formation, then such preemption is not warranted.

Q.2. Does anything need to be done to improve the use of cost-benefit analysis at the SEC? If so, will you commit to advocating for taking these steps?

A.2. Consistent with SEC guidance on this issue, I believe that carefully analyzing the potential economic consequences of a proposed rule (including its costs and benefits) is a critical aspect of sound rulemaking. I understand that the SEC has made efforts to enhance its economic analysis of rulemaking, including reviewing its cost-benefit approach, hiring economists, and engaging in more expanded economic analysis when necessary. I believe it is important to continually monitor this effort to ensure that economic analysis is appropriately tailored to each rulemaking effort. If confirmed, I will commit to working with the SEC staff, particularly

the Division of Economic and Risk Analysis, to ensure that SEC guidance in this area is appropriate, and that adjustments are made when necessary.

Q.3. I'd like to ask you more about the SEC's mission "protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation."

What factors should dictate the SEC's rulemaking schedule?

Does the SEC's rulemaking schedule reflect the right balance between focusing on these three missions? If not, how would you change it?

A.3. I believe that the SEC's three-part mission should represent a set of guiding principles that shape every aspect of the SEC's work, including its rulemaking schedule. I also believe that those principles must work together, and that every effort should be made to focus on all three of those principles when engaging in rulemaking. I understand that much of the SEC's recent rulemaking agenda has been dictated by the need to comply with the Congressional mandates under the Dodd-Frank Act. If confirmed, I would work to ensure that the SEC diligently and responsibly completes these mandates as well as work to ensure that rulemaking reflects an appropriate balance of its three-part mission.

Q.4. Former SEC Commissioner Dan Gallagher has said that "issues specific to small business capital formation too often remain on the proverbial back burner. This lack of attention doesn't just harm small business; it also harms investors and the public at large." Do you agree?

A.4. Because I am not employed at the SEC, I am not privy to the manner in which specific issues have been prioritized. However, I do agree that small businesses are important to investors and play a critical role in our economy. I also agree that the SEC must pay appropriate attention to the capital formation needs of small businesses.

Q.5. Will you commit to actively pursuing the "capital formation" mission as a Commissioner? If so, how? For example, should the SEC do more to encourage public IPOs? Should the SEC do more to scale regulations for smaller firms?

A.5. Facilitating capital formation is one of the three components of the SEC's mission. Therefore, if confirmed, I will commit to actively considering ways in which the SEC can facilitate access to capital for all participants in the market, including smaller firms which play a critical role in job growth. I believe that considering ways in which the SEC can bolster the public IPO market is important. I also believe it is important to consider ways to facilitate responsible capital formation through private placements and other innovate sources.

I believe the SEC must consider how any rule impacts different market participants, and make appropriate adjustments. This means that the SEC must consider whether and to what extent regulations should be adjusted in order to take into account their impact on smaller firms. Prior SEC rules have been adjusted to accommodate the special concerns of smaller firms and, if confirmed,

I would expect the SEC to continue making such adjustments when appropriate.

Q.6. I'd like to ask about the SEC's use of Administrative Law Judges:

Under what circumstances is it appropriate for the SEC to send cases to Administrative Law Judges?

Do you have constitutional concerns with ALJs?

Is there a risk that ALJs have an improper pro-SEC bias?

A.6. I believe that enforcement is essential to the SEC's mission, and is necessary to protect investors, maintain investor confidence, and ensure that capital formation occurs under market conditions that are fair. It, therefore, is important that investors have confidence that the SEC is fairly enforcing the laws. On the one hand, I understand that process and fairness concerns have been raised about the SEC's use of Administrative Law Judges. I believe that the SEC must be mindful of those concerns and find appropriate ways to respond to them. The SEC must be especially mindful of the issue of bias, both real and perceived. Thus, I support the decision to make a careful determination about the kind of cases being sent to ALJs as well as the decision to reiterate the process and rationale for sending cases to ALJs. I also support the decision to enhance the evidentiary rules for ALJs. Each of these actions brings greater transparency to the process and, if confirmed, I would continue the effort to do so. On the other hand, I do believe it is appropriate to make use of ALJs. Many agencies use ALJs for reasons of efficiency, greater expertise, and shorter timelines for resolution. Moreover, ALJ decisions can be appealed to Federal courts. In light of these benefits and Federal court review, it makes sense for the SEC to use ALJs in appropriate circumstances so long as the SEC is mindful of the concerns and risks associated with such use and takes steps to appropriately address them.

On the issue of constitutional concerns, I am not a constitutional law scholar, but I am mindful that such concerns have been raised and that courts have resolved the issue in different ways. Because this is an issue that is still being resolved in court, I do not think it is appropriate for me to comment further.

Q.7. I'd like to obtain more information about your approach to securities regulations.

Is there a risk that regulations can give large incumbent firms a competitive advantage over smaller farms? If so, what can be done to mitigate this risk?

A.7. I believe regulations can impact different market participants differently, and thus there is a risk that regulations can impact smaller firms differently. The SEC should take steps to understand any potential differences in order to account for them in the rulemaking process. I believe the best way to account for these differences, including with respect to smaller firms, is to carefully consider the potential impact of a regulation by getting input from firms, their advisors, and other interested parties. In addition, the SEC must be willing to make adjustments to account for any problematic impacts. Prior SEC rulemaking efforts have sought to assess the impact on smaller firms. Moreover, the SEC has made adjustments to rules in order to accommodate the special concerns of

smaller firms. If confirmed, I would expect the SEC to continue making such adjustments when appropriate.

Q.8. Is it ever appropriate for the SEC to engage in "merit review" of investment choices, where the SEC would elevate its evaluation of a particular investment over the evaluation of a private investor?

A.8. The Federal securities laws are not based on merit review, but rather are based on the notion that investors are best protected when they are provided with clear and effective disclosure, and can make informed investment choices. From this perspective, the SEC should focus on ensuring that investors have access to appropriate information so that they can make their own evaluations.

Q.9. Is it appropriate—in the words of Chair White—to "effectuate social policy or political change through the SEC's powers of mandatory disclosure"?

A.9. While I recognize that disclosure can and does have an impact on market participants, I believe that the purpose of disclosure is to provide shareholders with information necessary to make informed voting and investment choices.

Q.10. Is there a danger that disclosure requirements become so voluminous that they become unhelpful to investors? If so, what can be done to avoid this problem?

A.10. Disclosure should be clear and aimed at ensuring that investors have sufficient information to make informed decisions. One challenge for disclosure requirements is determining what constitutes "sufficient" information, particularly given the potential for too little information as well as the potential that information may be too voluminous for investors to appropriately digest. I understand that the Chair has asked for a comprehensive review of existing disclosure rules, and I believe that insights gained from that review will help determine areas of concern and how best to respond.

Q.11. I'd like to explore your views on "accredited investors."

Should the SEC consider expanding the definition of "accredited investor" beyond mere investor income and assets to also include investor expertise, such as possessing a graduate degree in a related field?

How should the SEC strike the balance between investor protection and investor freedom when it comes to the definition of accredited investor?

A.11. I believe that the SEC should consider changes to the current accredited investor definition. The definition is essential for investor protection because it seeks to determine which investors can best fend for themselves, and thus which investors should be subject to different regulatory approaches. I understand that, consistent with the Dodd-Frank Act, the SEC staff has issued a report reviewing the definition of accredited investor and analyzing various approaches for modifying that definition. I also understand that the SEC has issued a request for public comments on the report. If confirmed, I would welcome the opportunity to review the report with the Chair, my fellow Commissioners, and the SEC staff to gain a better appreciation for the recommended approaches. I

also would look forward to reviewing the comments of shareholders, companies, and other market participants on this critical issue. Such input will be important for determining how best to respond to the report, and how best to fashion an accredited investor definition that strikes the appropriate balance between protection and flexibility by helping to identify investors who have sufficient sophistication and experience to assess whether an investment is appropriate for them.

Q.12. The marketplace online lending ecosystem has grown significantly as of late. Would you recommend changes to how the SEC approaches this field? For example, should the SEC contemplate creating a broad safe harbor for marketplace online lenders, which scales registration requirements to reflect their unique business model?

A.12. Marketplace online lending has grown in significance and has become increasingly complex. Such lending has the laudable goal of facilitating a more efficient and cost-effective borrowing process, and thus has the potential to significantly expand access to capital, particularly to underserved segments of the market. I believe it is important for the SEC to consider how best to approach the marketplace in order to balance the goal of facilitating innovative methods of accessing capital with the goal of investor protection. I believe it would be premature to recommend changes related to the marketplace without first ensuring that the SEC has an appropriate understanding of the current status and impact of the marketplace. To this end, it makes sense for the SEC to engage with participants in the marketplace and other interested parties to gain insight about the impact and efficiency of different approaches to the field.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR ROUNDS FROM LISA M. FAIRFAX

Q.1. The New York City Public Advocate recently wrote the SEC asking that it examine publicly traded gun manufacturers with an eye towards charging them with fraud for not disclosing information about gun-related deaths.

Similar questions have been raised about oil companies and climate change. In fact, Attorney General Lynch recently said that the Department of Justice considered prosecuting climate change skeptics.

The idea that the Government would consider prosecuting political opponents is chilling and has no place in our political system.

The SEC should be about safeguarding markets, protecting investors, and helping to foster capital formation.

Attempts to settle political scores that should be decided at the ballot box have no place on the SEC's agenda.

Can you assure me that you will not pursue or support any attempts to politicize corporate disclosure rules—whether for gun control, climate change or any other issue which should be properly decided by Congress?

A.1. I believe that effective disclosure is fundamental to our Federal securities laws and is critical to the SEC's three-part mission.

If confirmed, I can assure you that my work related to disclosure will not be guided by any political agenda, but by the goal of complying with the law and ensuring that disclosure is consistent with the SEC's three-part mission.

Q.2. One of the best tools we have to make sure that regulations are fair and make sense is cost-benefit analysis.

A cost-benefit analysis allows regulators to clearly examine the benefits of a rule and weigh them against the damages caused by the proposed rule.

If a statute is silent on the use of cost-benefit analysis, do you believe the Commission can conduct a cost-benefit analysis or can it only conduct an analysis if the statute explicitly includes that requirement?

A.2. I believe that carefully analyzing the potential economic consequences of a proposed rule is a critical aspect of sound rulemaking. Therefore, I believe that even without any statutory requirement, the SEC's rulemaking efforts should involve consideration of potential economic consequences, including the potential costs and benefits of any rule. I appreciate that it may be difficult to sufficiently measure the costs and benefits of a rule. However, I do believe that the Commission should make reasonable efforts to determine the probable costs and benefits of a proposed rule, or explain why such a determination cannot be made.

Q.3. Rather than creating punitive rules which increase compliance costs, what can you do, if you are confirmed, to incentivize regulated entities and investors to make better decisions?

A.3. I believe that regulation works best when it relies on a range of approaches when seeking to encourage entities and investors to make appropriate decisions. Thus, I also believe that in addition to relying on enforcement, the SEC also should consider approaches (including market-based policies) that are aimed at incentivizing market participants. If confirmed, I would be interested in assessing current incentives and their impact. I also would be interested in exploring ways to develop incentives that would encourage market participants to act in the best interests of companies and their shareholders.

Q.4. Last year, the New York City pension system issued numerous shareholder proposals on proxy access. Many of these proposals were centered on energy companies and their purpose was not to improve governance but to push an agenda on climate change.

Two recent reports by the Manhattan Institute have shown that public pension funds that engage in politically motivated corporate governance fights have lower returns forcing tax payers to foot the bill, while union sponsored shareholder proposals are concentrated in industries or businesses targeted in organizing campaigns.

What role should the SEC undertake as a gate-keeper to make certain that shareholder proposals and director elections are correlated to the interests of a corporation and its investors, rather than a political or social agenda?

A.4. I do believe that the SEC has a responsibility to be a gatekeeper and monitor activity related to both shareholder proposals and director elections. On the one hand, the SEC should take ef-

forts to ensure that parties do not abuse the shareholder proposal process. The Federal securities laws already have a system in place under the no-action process that enables the SEC to monitor the shareholder proposal process and intervene where appropriate. I understand that there have been concerns about the workability of that system. If confirmed, I would be interested in working with the SEC staff and other interested parties to assess the shareholder proposal process and determine if reforms are needed. On the other hand, the SEC should pay close attention to director elections because such elections have a significant impact on the corporation and its investors. I understand that there have been a number of changes to the election process at public companies, such as an increase in declassified boards and an increase in the number of companies adopting majority voting. I also understand that there has been an increase in the number of proxy fights within the last few years. The SEC should monitor these and other developments related to director elections to understand their impact, and to make certain that the election process is fair, and that parties are not engaging in actions that negatively impact the corporation and its investors.

Q.5. The Labor Department's proposed Fiduciary rulemaking will radically alter the market for individual retirement savings.

Many commentators believe that rather than protecting investors, it will price many middle class retirement savers out of the market for investment advice.

Can you envision circumstances in which a retirement saver of more modest means could benefit from the personalized advice of someone who knows them and their circumstances but who is not qualified as a fiduciary?

A.5. I understand that the Labor Department has proposed a fiduciary duty rule for broker-dealers. I also understand that, consistent with the study required by Section 913(f) of the Dodd-Frank Act, the Chair has asked the SEC staff to develop a uniform fiduciary rule for brokers-dealers and investment advisors. I believe that the goal of any rulemaking effort in this area should be to ensure that investors, particularly lower- and middle-income investors, have access to quality affordable investment advice, and that such advice considers an investor's particular needs and circumstances.

Q.6. In December 2015, the SEC voted to propose rule 18f-4, which would regulate the use of derivatives by registered investment companies. This rule attempts to regulate the use of derivatives to protect investors and reduce systemic risk, but I am concerned that it goes farther than intended and will alter the commodities futures market by setting arbitrary portfolio limitations for derivatives.

The rule appears to incentivize funds to overweight portfolios with stocks and bonds and move away from trading commodities.

What is your view on the regulation of simple, diversifying derivatives?

A.6. I understand that proposed rule 18f-4 has three main elements—limitations on portfolio leverage, asset segregation requirements, and derivatives risk oversight. I also understand that the purpose of the proposed rule is to reduce leverage risks associated

with derivatives and achieve a more standard treatment of derivatives transactions. I believe that the financial crisis revealed the need to enhance transparency with respect to derivatives, and pay closer attention to risks associated with derivatives transactions. I also believe that derivatives pose both benefits and risks for investors and the market. Any regulatory effort in this area must carefully consider how best to account for risks without disadvantaging investors and other market participants. If confirmed, I look forward to reviewing the comments to the proposed rule, engaging market participants to better understand the potential risks and benefits of the rule, and working with the SEC staff and other interested parties on the most appropriate path forward.

Q.7. Do you believe that proposed rule 18f-4, will limit the average investor's ability to access diversifying assets? If so, why? If not, why not?

A.7. In proposing rule 18f-4, the SEC acknowledged that the proposed rule could have a significant impact on certain funds, potentially requiring them to significantly alter their investment strategies. This raises the possibility that the proposed rule also could impact investors' access to certain funds and their assets. If confirmed, I look forward to reviewing the comments on this proposed rule in order to work with the SEC staff and other interested parties on determining the most appropriate path forward.

Q.8. Are you concerned that this rule could harm rather than protect investors because it incentivizes registered investment companies to concentrate their assets in equities rather than derivatives?

A.8. The proposed rule raises several questions and concerns. I believe the goal of public comments is to address those questions and concerns so that any final rulemaking can appropriately account for them. If confirmed, I would work with my fellow Commissioners and the SEC staff to ensure that any final rule appropriately considers and addresses concerns related to investor protection, as well as any other concerns raised by the commentators or other interested parties.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR SCHUMER FROM LISA M. FAIRFAX

Q.1. Ms. Fairfax, do you believe that information related to a company's corporate political spending should be considered material to prospective investors and/or shareholders?

A.1. I understand that there have been an extraordinary number of commentators to the rulemaking petitions submitted to the SEC, as well as a significant number of shareholder proposals on this issue, expressing the belief that such information is material. Several corporations also have voluntarily agreed to provide shareholders with corporate political spending information based, at least in part, on the belief that the information is material. I believe many of these commentators, shareholders, and corporations advance strong arguments that the information is material because it allows investors to assess whether such spending is beneficial and consistent with the corporation's best interests. However, I also understand that many others question whether information related

to corporate political spending is material not only because the amount of money spent may be small in comparison to the corporation's total assets or expenditures, but also because shareholders have rejected the vast majority of shareholder proposals on this issue. I also recognize that many have concerns about such disclosure that extend beyond the question of materiality.

Although I do believe that corporate political spending disclosure is an important issue that deserves thoughtful consideration, I do not believe I should prejudge any issue without the benefit of full engagement. However, if confirmed, and so long as it is not prohibited by law, I would engage with shareholders, corporations and their advisors, the SEC staff, and interested stakeholders so that I can thoughtfully and fully consider this issue. My consideration would focus on assessing the various views expressed during this engagement to determine if such information should be deemed material in light of prevailing understandings of materiality. As part of this assessment, I would examine whether such information aligns with the materiality test articulated by the Supreme Court in TSC Industries v. Northway, which focuses on whether there is a substantial likelihood that a reasonable investor would consider information important, and whether information would alter the investor's "total mix" of information. I also would consider whether the information is consistent with SEC guidance on materiality, which relies on the Supreme Court's formulation, and assesses both quantitative and qualitative factors to determine if the information would influence the investment decision of a reasonable investor.

Q.2. Do you believe that the SEC should consider whether investors should be entitled to information disclosing a company's corporate political spending?

A.2. Given the overwhelming amount of comments and attention to the rulemaking petitions on this issue, and so long as it is not prohibited by Congressional mandate, I believe the SEC should continue to engage investors and other interested stakeholders to determine whether, and to what extent, investors should be entitled to information about a company's corporate political spending.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR MENENDEZ FROM LISA M. FAIRFAX

Q.1. What actions will you take as Commissioner to bring much-needed accountability and transparency for shareholders to ensure that public companies disclose how they use corporate resources for political activities?

A.1. As an initial matter, I believe in the importance of the SEC following the law and to the extent that the law prevents the SEC from finalizing, issuing, or implementing rules, regulations, or orders on this issue, the SEC must comply. However, given the overwhelming amount of comments and attention to the rulemaking petitions on this issue, and so long as it is not prohibited by the law, I also believe the SEC should continue to engage investors and other interested stakeholders to determine whether, and to what extent, investors should be entitled to information about a company's corporate political spending.

Q.2. Given the record input from securities experts, institutional and individual investors, and members of the public on this rulemaking petition—more than 1.2 million comments, more comments submitted than any other rulemaking in the SEC's history—where would this rulemaking fall in your list of priorities, and how will you advocate that the Commission prioritize its development and proposal?

A.2. Although it is the Chair's responsibility to set the SEC's agenda, in light of the input from investors and stakeholders on this issue, and so long as it is not prohibited by the law, if confirmed, I believe it would be appropriate for me to engage the Chair and my fellow Commissioners on this issue to ensure that such input has been fully considered in the process of setting the SEC's priorities.

Q.3. Can I have your commitment that if confirmed as Commissioner, you will do everything within your power to move this rulemaking forward?

A.3. As noted above, I intend to comply with the law. To the extent the SEC is permitted to engage in rulemaking on this issue, I will certainly do everything that I can to move any rulemaking effort forward.

Q.4. The fiscal year 2016 omnibus appropriations law unfortunately included a 1-year provision to block the SEC from issuing, implementing, or finalizing a rule to require public companies to disclose their political spending to shareholders. Immediately following the enactment of this law, I sent a letter to SEC Chair White, along with 96 of my colleagues in the Senate and House, pushing the Commission to move forward notwithstanding the language contained in the end-of-year spending bill. It is our analysis and understanding, which is notably shared by Harvard Securities Law Professor John Coates, that the provision in the omnibus does not bar the SEC from moving forward to prepare, propose, or develop a rulemaking on corporate political spending. To that end, I fully expect the SEC to host public roundtables, solicit additional stakeholder feedback, and do everything within its power to develop a proposal on this issue. If confirmed as Commissioner, what immediate steps will you take to set in motion the development, preparation, and proposal of this critical rulemaking?

A.4. I understand that the omnibus law limits the SEC on this issue. If confirmed, I would be interested in engaging with the SEC staff, including the Office of the General Counsel, to understand their analysis of the Congressional mandate, to work with the Chair, my fellow Commissioners and the SEC staff to make an assessment regarding what is allowed by the mandate, and to ensure that SEC actions are consistent with that mandate. So long as it is not prohibited, I believe the SEC should continue to engage investors and other interested stakeholders to determine whether, and to what extent, investors should be entitled to information about a company's corporate political spending. If it is determined that the law allows for other actions, I certainly would be open to exploring those actions, carefully considering the range of concerns being raised, and working with the Chair, my fellow Commis-

sioners, the SEC staff and other interested parties to determine the best path forward.

Q.5. On the issue of corporate board diversity, to what extent is having a wide range of perspectives represented in the boardroom critical to effective corporate governance?

A.5. I believe the composition of the corporate board has an impact on effective corporate governance. I understand that there are differing views about the connection between board diversity and corporate governance. Some have questioned such a connection, maintaining that the available data is mixed. Others believe that diversity in the boardroom can enhance the quality of a board's decision making and monitoring roles, thereby impacting corporate governance and the corporation's bottom line. This belief is based on the view that diverse groups may have a wider variety of approaches to analyzing and assessing information, increasing the potential for broader perspective and a broader range of solutions to complex problems.

Q.6. In your opinion, does corporate board diversity allow for boards to better anticipate and consider the concerns and perspectives of all of their key constituencies?

A.6. I understand that there are competing views about the impact of board diversity, including evidence indicating that diverse boards may behave similarly to nondiverse boards. However, such evidence also suggests that under appropriate circumstances, a diverse board with a range of experiences may have an enhanced ability to anticipate and consider the concerns and perspectives of a diverse group of investors, clients, customers, and other key constituencies.

Q.7. As you know, the SEC adopted a rule change in 2009 to require publicly traded companies to disclose more information on director selection and diversity. However, many, including myself, have expressed concerns that the current rule is inadequate, and that investment advisors and shareholders need more comprehensive information to make informed investment and voting decisions. An enhanced diversity disclosure, in my view, would be one step to help promote sociodemographic diversity on corporate boards.

In your view, how does the disclosure of specific details about the diversity of corporate boards assist shareholders in making informed investment and voting decisions?

A.7. For shareholders who believe that board diversity has an impact on a corporation's governance, decision making, and bottom line, disclosure about a corporation's diversity practices and current status helps such shareholders assess the corporation and make more informed voting and investment decisions.

Q.8. Can you explain how the SEC's decision not to define diversity in its 2009 rule undermines the value of the information provided by the current disclosure?

A.8. I understand that the SEC's diversity disclosure rule did not define diversity in order to allow companies the ability to define diversity in ways they consider appropriate. I also understand that there were different views on the benefit of such an approach.

Some commentators agreed that corporations should have the discretion to define diversity based on their own business model and specific needs. In contrast, others expressed concern that the failure to define diversity would undermine the utility of disclosure, particularly if the disclosed information did not indicate the factors a company considered in assessing diversity. While there are competing views about the impact of board diversity, there are investors who believe that board diversity has a material impact on a corporation's governance, decision making, and bottom line. For such investors, disclosure on this issue enables them to make more informed voting and investment decisions. Existing evidence about the current diversity rule suggests that while some companies provide information about how they define diversity, other companies do not. Based on that evidence, I believe that there may be reason for concern about the rule's approach, and its ability to provide the type of information investors need to make informed decisions. If confirmed, I would be interested in working with the SEC staff and other interested parties to explore this issue and determine how best to proceed.

Q.9. If confirmed as Commissioner, will you commit to strengthening the quality of required disclosures on the consideration of diversity in the board selection process?

A.9. I understand that the Chair has expressed concern that the existing diversity rule may not provide investors with sufficient information. In light of those concerns, the Chair has instructed the staff to review existing company disclosures in order to determine whether the SEC should require companies to provide more specific details about their diversity practices. If confirmed, I look forward to learning about the status of that review, and I will certainly commit to working with the SEC staff and other interested parties to determine how best to ensure that investors receive sufficient information on this issue.

Q.10. In the aftermath of the Great Recession, many reported that excessive executive compensation schemes provided some of the fuel for the crash. I worked to include a provision in the Wall Street Reform Act to require publicly listed companies to disclose in their annual SEC filing the ratio of their CEO's total compensation to their median worker's compensation. In August, after 5 years of delays, I was pleased to see the SEC finally took the step to clear the way for the CEO-to-Worker Pay Ratio. This information is especially important in a day and age in which executive compensation has skyrocketed. A 2014 study by the Economic Policy Institute found that chief executive pay, as a multiple of a typical worker's pay, increased exponentially from an average of 20 times in 1965 to almost 300 in 2013.

In your opinion, how will this information inject transparency and promote fairness in corporate America?

A.10. I believe that the Federal securities laws should promote clear, concise, and understandable disclosure on executive compensation. Such disclosure allows investors to evaluate whether a company's pay practices are consistent with corporate objectives, provide appropriate incentives for executives, and have a positive impact on corporate performance and the corporate enterprise. I

understand that opinions differ on the value of the pay ratio rule. I also recognize that many believe the rule may enhance compensation disclosure by providing more transparency about pay structure, providing shareholders with a different metric for analyzing compensation, and increasing shareholder's ability to engage with companies about the nature and impact of pay packages.

Q.11. If confirmed as Commissioner, will you commit to ensuring this rule is properly implemented? Will you work to ensure that provisions included by the Commission to facilitate compliance do not inadvertently open up loopholes for companies looking to evade this requirement?

A.11. If confirmed as Commissioner, it would be a priority for me to ensure the appropriate implementation of all the Commission's rules and to monitor that implementation to determine whether such rules are having their intended effect. If confirmed, I also commit to working with the Chair, my fellow Commissioners, the SEC staff, and other interested parties to develop appropriate responses when issues of concern emerge. I understand that, in response to costs and other concerns, the pay ratio rule provides companies with significant flexibility. If confirmed, I would work with the Chair, my fellow Commissioners, the SEC staff, and other interested parties to ensure that such flexibility achieves its desired result.

Q.12. Another critical provision included in the Wall Street Reform Act is the "say on pay" requirement to give shareholders the right to an advisory vote on companies' executive pay policies. Please discuss the value of this requirement, and to what extent you believe it enhances shareholders' ability to influence corporate pay practices?

A.12. It is my understanding that "say on pay" was designed to give shareholders the ability to have a voice in company pay practices. Like other proposals, "say on pay" sparked differing opinions about its benefits and drawbacks. However, I do believe that existing evidence suggests that under the appropriate circumstances such a vote adds value. To be sure, some questioned the ability of an advisory vote to impact pay practices. Others questioned the benefit of enabling shareholders to influence pay practices because shareholders may have limited information, or shareholders might encourage companies to adopt "one-size-fits-all" pay packages that might not be appropriate for every company. My understanding is that some of these concerns persist.

Nevertheless, many investors believe that "say on pay" has been valuable, particularly to the extent that it has focused corporate attention on better aligning pay practices with corporate objectives, and has increased engagement between corporations and shareholders about compensation issues.

Q.13. What additional steps should the SEC take to address excessive executive compensation structures?

A.13. I believe that executive compensation issues are important, and that providing shareholders with information about such issues allows them to assess whether a company's pay practices are aligned with corporate objectives. There have been a number of

changes with respect to executive compensation practices over the last few years, including the SEC's most recent rulemaking on pay ratios. I believe that the SEC should assess the impact of these rules to determine whether they are individually and collectively having their desired impact. I also believe it is important for the SEC to complete the rulemaking mandates under the Dodd-Frank Act, including those related to executive compensation. If confirmed, I would work diligently on this effort, and would welcome the opportunity to work with the Chair, my fellow Commissioners, the SEC staff and interested parties to monitor developments in this area, and determine if additional reforms or changes are needed.

Q.14. As a member of the SEC's Investor Advisory Committee, can you speak to the value of a broker-dealer fiduciary duty, and explain what exactly needs to be done to eliminate the regulatory gap that allows broker-dealers to offer investment advice without being subject to the same fiduciary duty as other investment advisers?

A.14. I believe that an appropriate fiduciary duty rule for broker-dealers is essential for ensuring that investors are protected, that investors have access to advice that adequately considers their needs, and that such advice is transparent and free from inappropriate conflicts of interests. I understand that, historically, broker-dealers and investment advisers have been regulated differently. I also understand that concerns have emerged about the impact of this difference on investors, particularly as lines have begun to blur between services provided by broker-dealers and those provided by investment advisers. I believe that those concerns deserve a thoughtful attention and an appropriate response. As required by Section 913(f) of the Dodd-Frank Act, the SEC staff studied this issue and made recommendations designed to better protect investors and decrease investor confusion. The SEC staff's two primary recommendations were that the SEC engage in rulemaking to develop a uniform fiduciary rule for brokers-dealers and investment advisors, and that the SEC consider harmonizing certain regulatory requirements of broker-dealers and investment advisers. Consistent with this recommendation, the Chair has asked the SEC staff to begin work on developing a uniform fiduciary duty rule. If confirmed, I look forward to learning about the status of this effort and working with the Chair, my fellow Commissioners, the SEC staff, and other interested parties to ensure that it moves forward in a diligent and responsible manner.

Q.15. If confirmed as Commissioner, will you commit to prioritizing this rulemaking?

A.15. If confirmed, it would be a priority for me to ensure that SEC efforts in this area move forward in a diligent and responsible manner.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR WARNER FROM LISA M. FAIRFAX

Q.1. *Unelected Directors:* The Committee on Capital Markets Regulation recently conducted a study examining the frequency with which corporate directors resign or decline to stand for re-election

after failing to receive a majority of shareholder votes. The study finds that 85 percent of directors who received less than a majority of votes were still board members 2 years after the vote—so called "unelected directors." To protect the integrity of the shareholder vote in the face of the unelected directors problem, would you be supportive of a Commission regulation requiring, at a very minimum, that corporate boards disclose the specific reasons that an unelected director remain on the board despite the failure to receive a majority of shareholder votes?

A.1. I believe that voting in director elections is a fundamental shareholder right, and that such voting serves an important accountability function. I understand that there are studies indicating many instances in which directors have failed to receive a majority vote, but nevertheless remain in their positions. I also recognize that there may be appropriate reasons for maintaining a director (for example when the underlying reason for targeting a director has been appropriately addressed). However, shareholders may not know those reasons. It would be premature for me to support a rule without fully exploring an issue with the SEC staff and other interested parties. It also would be premature for me to support a rule without knowing the specific details, and potential impact, of the rule. However, if confirmed, I not only would be open to becoming more fully informed about this issue, but I also would welcome the opportunity to work with the Chair, my fellow Commissioners, the SEC staff and other interested parties to determine the most appropriate response to this issue, including rulemaking if necessary. If confirmed, my goal on this issue would be to determine how best to ensure that the shareholder vote is meaningful and appropriately impacts director elections and board composition.

Q.2. *Standardized Data Formats:* The SEC has adopted standardized data formats for some corporate filings, such as the financial statements contained within quarterly and annual Exchange Act reports, but most filings are still expressed as outdated paper documents. In 2013, the Investor Advisory Committee called on the SEC to adopt standardized formats for all corporate filings. The Investor Advisory Committee said the Commission should prioritize forms that would improve the transparency of corporate governance if they were expressed as standardized data, instead of documents. The Investor Advisory Committee specifically cited the portions of the proxy statement on Schedule 14A that relate to executive compensation and shareholder votes, and voting results disclosed by mutual funds in Form N-PX. Do you agree that such filings should be transformed from documents into standardized data?

A.2. I believe the SEC has a responsibility to ensure that disclosures are as clear and effective as possible. I understand that the SEC is making efforts to determine how best to adopt standardized data formats. On the one hand, I believe that standardized data formats have the potential to positively impact disclosure, particularly by making disclosed information easier to review, retrieve, and analyze. On the other hand, I understand that concerns have been raised about the usage, costs, and quality of data stemming from such formats. If confirmed, I would welcome the opportunity

to learn more about the status of SEC efforts in this area in order to find the best path forward.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR CORKER FROM HESTER MARIA PEIRCE

Q.1. If you are confirmed as a Commissioner and the SEC Chair presents a rule being developed for your consideration, how would you go about forming a position on the rule? If the rule presented addresses a regulatory principle you fundamentally disagree with, would that change your approach?

A.1. I would seek to understand the problem Chair White was trying to solve, speak with the staff developing the proposal and the economists conducting the economic analysis of the proposal, and discuss the matter with my fellow Commissioners. I would also work with my own staff to review available data, relevant academic articles, and white papers. As appropriate, I also would seek input from experts, including investors, people in the regulated community, and academics. If the rule embodies a regulatory principle with which I disagree, I would follow the same course, but also would work with others at the Commission to identify alternative, more effective approaches to achieving the proposed rule's objectives. The key with any rule is to identify the problem that needs to be solved and figure out the best way to solve it.

Q.2. Can you envision an instance in which you would vote in favor of a rule that does not comport with your ideology but fits with the SEC's mission?

A.2. If I am confirmed, my job will be to implement the SEC's mission of protecting investors, facilitating capital formation, and maintaining fair, orderly, and efficient markets. There are different approaches to fulfilling that mission, and I will strive to work with my colleagues on the Commission and on the staff to best fulfill that mission. In a multi-member body, compromise is often necessary to reach consensus. Therefore, I can envision voting for a rule that is consistent with the SEC's mission, but is not the approach I would take if I were solely responsible for crafting the rule.

Q.3. Do you believe there are circumstances in which the SEC should not implement and enforce statutorily required rules? If so, what are those circumstances?

A.3. As an administrative agency, the SEC is charged with implementing and enforcing the laws that Congress writes. Recognizing that there may be circumstances in which a particular law is not appropriately applied, Congress has granted the SEC broad exemptive authority in its key statutes when such relief is necessary or appropriate in the public interest and is consistent with the protection of investors. The SEC may, for example, employ its general exemptive authority to respond to the unique challenges faced by small companies, changes in technology, or innovations.

Q.4. How would you approach consideration of a final rule dealing with Section 956 of Dodd-Frank, regarding the disclosure and pro-

hibition of certain executive compensation structures at financial institutions?

A.4. With respect to the final rule implementing Section 956 of Dodd-Frank, which is a multi-agency rule, among other things, if confirmed, I would speak with colleagues at the other regulatory agencies and would review the comment letters. I would also consult the relevant staff at the Commission, including the staff of the Division of Economic and Risk Analysis, and my fellow Commissioners and seek feedback from outside experts, as appropriate. A rule that deals with compensation requires extreme care, as compensation is highly fact-and-circumstance specific. A properly designed compensation arrangement is an appropriate and effective way to encourage employee excellence, but improperly crafted compensation can harm employees, shareholders, companies, and the broader economy. Regulators need to achieve the statutory objective of ending the use of harmful compensation arrangements, while being mindful of the difficulty of establishing one-size-fits-all requirements with respect to compensation arrangements across a range of different types of firms.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR KIRK FROM HESTER MARIA PEIRCE

Q.1. In your testimony, you indicated that retrospective review is particularly important with respect to regulations governing equity market structure. There is no question that in the decade since Regulation NMS was adopted, U.S. trading markets have evolved considerably. I am pleased to see the Commission considering alternatives to the current structure, such as the implementation of the Tick Size Pilot program for smaller companies that is anticipated this fall. However, there are many structural items in need of review or consideration: access fees, market fragmentation, market data, and trade-at proposals to name a few. Should you join the Commission, will you commit to follow through on Chair White's pledge to look holistically at the equity markets and move toward needed reforms?

A.1. If I were to join the Commission, I would welcome the opportunity to work with Chair White and the rest of the Commission on a holistic review of equity market structure. Based on the results of that review and consistent with the Commission's mission and other Commission priorities, I would work toward crafting, testing, and implementing any needed reforms.

Q.2. Each of the current SEC Commissioners, in addition to former Commissioners Gallagher and Aguilar, have publicly called for the Commission to focus on completion of rules governing the security-based swap market, as mandated by Title VII of the Dodd-Frank Act. While I share concerns about the structure and benefits of Title VII, I also agree that continuing to delay these rulemakings only perpetuates market uncertainty. Given that the CFTC completed its rules 2 years ago, do you view the completion of Title VII rulemakings as a priority for the Commission?

A.2. I view the completion of Title VII rules as a priority for the Commission. The impetus to complete these rules expeditiously to

fulfill the statutory mandate and provide the market with needed certainty should be paired with a careful approach to the design and implementation of the rules.

Q.3. The Department of Labor is expected to finalize its proposed rule amending the definition of "fiduciary" under the Employee Retirement Income Security Act (ERISA) any day now. I am deeply concerned about the potential consequences this rule may have on investors, particularly of low and moderate incomes. As has been widely reported, the United Kingdom's similarly intentioned Retail Distribution Review (RDR) resulted in as many as 11 million consumers losing access to ongoing investment advice, as firms moved to minimum account thresholds of $50,000 or more.[1] This effect would directly harm those investors that the rule purports to help. Are you concerned that the implementation of the rule as currently proposed will result in decreased investor options?

Additionally, at the heart of the debate surrounding the DOL's proposed rule is the question of jurisdiction. Do you believe that any such rule amending the definition of fiduciary investment advice should originate at the SEC as directed by Section 913 of the Dodd-Frank Act?

A.3. I am concerned by the claims of some commenters that the Department of Labor's proposed rule—although seeking to protect investors—could have unintended adverse consequences on investors' access to financial services. Ensuring that investors have access to the financial services they need is one component of investor protection, which, in turn, is a key part of the SEC's mission. If confirmed, I will work with the SEC staff to understand how DOL's rule would affect the investors the SEC is charged with protecting.

As your question notes, Section 913 of the Dodd-Frank Act authorizes the SEC to establish and define a standard of conduct for financial professionals providing personalized investment advice. Section 913 reflects Congressional recognition of the need for careful regulation to guard against unintended consequences and the SEC's long experience and expertise in this area. The Department of Labor, in exercising its authority under the Employee Retirement Income Security Act to finalize its fiduciary rule, should draw on the SEC's expertise and coordinate its actions with those of the SEC.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR SASSE FROM HESTER MARIA PEIRCE

Q.1. In your opinion, under what circumstances might it be appropriate for national securities regulations to preempt blue sky laws? Why?

A.1. The blue-sky laws have played an important role in the development of our securities markets and continue to serve investors. Nevertheless, as our markets become more national in scope, preemption may be appropriate in some circumstances. Specifically, preemption may be warranted if it is authorized by statute, appropriate Federal investor protections are in place, and State blue sky

[1] Wall, Emma, "10 Million Find Advice Too Expensive", *Morningstar*, Aug. 28, 2014, *http://www.morningstar.co.uk/uk/news/128424/10-million-find-advice-too-expensive.aspx.*

protection would be duplicative. The SEC, for example, recently determined to preempt State securities registration (but not antifraud) laws in connection with the subset of newly permitted so-called Regulation A+ offerings that the Commission predicted would be "national in character." In doing so, the SEC cited a concern that the cost of complying with multiple State laws "may deter issuers from using amended Regulation A, which could significantly limit the impact of the exemption as a tool for capital formation." The SEC and State regulators should work closely with one another on investor protection and capital access issues. If I were to be confirmed, I would consult the North American Securities Administrators Association, along with my fellow Commissioners and Commission staff, in considering whether preemption is appropriate in specific circumstances.

Q.2. Does anything need to be done to improve the use of cost-benefit analysis at the SEC? If so, will you commit to advocating for taking these steps?

A.2. Since the SEC staff issued its March 2012 guidance on the use of economic analysis, the SEC appears to have placed a greater emphasis on both generating high-quality economic analysis and using it to help shape its rules. If I were confirmed, I would have a better view of how the SEC is conducting economic analysis, whether that analysis is being used, and whether the problems identified by courts and academics in the past have been resolved. Among other things, I would work to ensure that the agency is using economic analysis to clearly identify the problem a regulation is intended to solve, assess the benefits and costs of alternative solutions against a common baseline, and identify metrics in advance for retrospectively assessing the success of a regulation at solving the problem.

Q.3. I'd like to ask you more about the SEC's mission "protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation."

What factors should dictate the SEC's rulemaking schedule?

A.3. The SEC's rulemaking schedule should be dictated by statutory mandates, market and regulatory developments, and resource constraints. To the extent possible, the Commission should adopt rules in conformance with the timelines set by Congress. The Commission also must seek to ensure that its rulemaking agenda is responsive to new developments in technology, emerging threats to investors, innovations, economic growth, disruptive market events, and regulatory changes that might necessitate companion changes in SEC rules. Although the Chair sets the rulemaking schedule, if confirmed, I would be pleased to work with her on balancing the SEC's need to be responsive to statutory mandates with the imperative of keeping pace with developments in the markets.

Q.4. Does the SEC's rulemaking schedule reflect the right balance between focusing on these three missions? If not, how would you change it?

A.4. Without being at the Commission and having access to relevant nonpublic information, it is difficult to know whether the rulemaking schedule properly balances the three missions. That said, I am concerned that the heavy statutorily mandated rule-

making schedule of the last several years has distracted the agency from bread-and-butter rulemakings in each of the SEC's three mission areas. Ensuring that SEC and market infrastructures are working effectively, modernizing corporate disclosure, and streamlining access to capital are some of these issues. If I were to be confirmed, I would not be able to control the agenda, as the SEC Chair exercises that authority. However, I would work with Chair White and my fellow Commissioners to identify issues that warrant space on the rulemaking agenda.

Q.5. Former SEC Commissioner Dan Gallagher has said that "issues specific to small business capital formation too often remain on the proverbial back burner. This lack of attention doesn't just harm small business; it also harms investors and the public at large." Do you agree?

A.5. Commissioner Gallagher correctly identified small business capital formation as an area that could benefit from greater SEC attention. The JOBS Act helped to change that by directing the SEC to prioritize capital formation, including small business capital formation. The SEC responded with a number of changes that are likely to ease small companies' ability to raise capital. The SEC should monitor those changes to see whether they are working as intended and pursue additional rulemaking that enables investors to safely participate in funding the growth of small companies and benefits investors, companies, and the economy as a whole.

Q.6. Will you commit to actively pursuing the "capital formation" mission as a Commissioner? If so, how? For example, should the SEC do more to encourage public IPOs? Should the SEC do more to scale regulations for smaller firms?

A.6. If I were confirmed, I would pursue all elements of the SEC's mission, including facilitating capital formation. Before committing to specific avenues, I would want to consult with investors, small companies, my fellow Commissioners, the staff, the SEC's Advisory Committee on Small and Emerging Companies, and others with interest, experience, and expertise in small business capital formation. The Advisory Committee and the annual Government-Business Forum on Small Business Capital Formation have made a number of recommendations, which warrant consideration. Among the areas the SEC should consider for further reform are identifying and removing unwarranted obstacles to IPOs and appropriately scaling regulation for small firms, while continuing to maintain investor protection.

Q.7. I'd like to ask about the SEC's use of Administrative Law Judges:

Under what circumstances is it appropriate for the SEC to send cases to Administrative Law Judges?

A.7. Congress has authorized the SEC to use administrative law judges (ALJs) in a number of circumstances, but has allowed the SEC considerable discretion in forum selection. In exercising this discretion, the SEC should follow a consistent set of guidelines that provides a clear, predictable framework for agency staff, potential subjects of enforcement actions, and the general public and ensures appropriate accountability. The SEC's existing guidance looks at

factors such as the types of relief available and the relative costs of bringing actions. If I were to be confirmed, I would like to work with my fellow Commissioners and the enforcement staff to determine whether the factors outlined in the staff guidance are appropriate and whether additional guidance from the Commission is warranted.

Q.8. Do you have constitutional concerns with ALJs?

A.8. Congress has authorized the SEC to use ALJs. In a number of ongoing challenges, respondents have raised constitutional concerns. These concerns are best considered and decided by Article III judges. If I am confirmed, I will work to ensure that the SEC responds appropriately to any constitutional issues identified by courts.

Q.9. Is there a risk that ALJs have an improper pro-SEC bias?

A.9. An ALJ, like any other arbiter, is responsible for assessing in each matter whether she is able to be objective or should recuse herself. If an ALJ fails to behave properly, a respondent can raise these concerns during the appeals process. If I were confirmed, I would take allegations of bias seriously. There are avenues to investigate such allegations. For example, the SEC's Office of Inspector General recently looked into some specific allegations of ALJ bias and "did not develop any evidence to support the allegations of improper influence."[1] If future bias allegations arise, the OIG could be called on to assess their validity. More generally, the Commission is currently revisiting the rules applicable to administrative proceedings. This is an important initiative to ensure that administrative proceedings are fair and effectively test the validity of the facts and legal violations identified by the staff. If confirmed, I will be very interested to review the comments the Commission has received in response to the proposed changes.

Q.10. I'd like to obtain more information about your approach to securities regulations.

Is there a risk that regulations can give large incumbent firms a competitive advantage over smaller farms? If so, what can be done to mitigate this risk?

A.10. Regulators must be mindful of the risk that regulations can give incumbent firms a competitive advantage over smaller firms. The notice-and-comment rulemaking process under the Administrative Procedure Act helps to mitigate this risk by ensuring that all interested members of the public have an opportunity to identify potential unintended consequences of the regulation. By issuing a concept release prior to drafting a proposed rule, the agency can spot potential harm to small firms early. Economic analysis and Regulatory Flexibility Act analysis—both of which can help the agency identify competitive harm and craft solutions that are sensitive to the impact on small entities—are important mitigating tools. The SEC also can use its exemptive authority to ease disproportionate burdens on small firms.

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[1] Office of Inspector General, SEC, Report of Investigation Case #15-ALJ-0482-I, 21 (Jan. 21, 2016), available at *https://www.sec.gov/oig/reportspubs/Final-Report-of-Investigation.pdf.*

Q.11. Is it ever appropriate for the SEC to engage in "merit review" of investment choices, where the SEC would elevate its evaluation of a particular investment over the evaluation of a private investor?

A.11. Absent a contrary directive from Congress, the SEC's role is to provide the investor with the information she needs to make a careful decision, rather than to override her evaluation of an investment through regulatory merit review.

Q.12. Is it appropriate—in the words of Chair White—to "effectuate social policy or political change through the SEC's powers of mandatory disclosure"?

A.12. The role of SEC-mandated disclosure is to ensure that investors have the information they need to evaluate investment opportunities. Under the securities laws, the purpose of SEC disclosure is not to achieve social or political ends.

Q.13. Is there a danger that disclosure requirements become so voluminous that they become unhelpful to investors? If so, what can be done to avoid this problem?

A.13. Properly designed disclosure requirements benefit investors by getting them the information they need to make investment decisions. It is important to remember that investors also bear the cost of disclosure mandates. First, company (and thus shareholder) resources are devoted to making legally compliant disclosures. Second, the disclosure of immaterial items can obscure material ones. Accordingly, the SEC needs to carefully craft and periodically revisit disclosure mandates. The SEC's ongoing Disclosure Effectiveness initiative is a useful undertaking to answer the question of whether the SEC's disclosure mandates are getting the information to investors that they need in the form they need it. If I am confirmed, I look forward to working with colleagues at the SEC to further this initiative and, in conjunction with each potential new disclosure mandate, to consider whether and how investors will use the information.

Q.14. I'd like to explore your views on "accredited investors."

Should the SEC consider expanding the definition of "accredited investor" beyond mere investor income and assets to also include investor expertise, such as possessing a graduate degree in a related field?

A.14. The SEC is undertaking a statutorily mandated review of the scope of the accredited investor standard, and the staff recently issued a report on the review. One of the issues covered by the report is the feasibility of assessing an investor's sophistication using metrics other than wealth or income. If confirmed, I look forward to reviewing the report, comments collected by the SEC in its review of the definition, and other relevant materials such as the Government Accountability Office's report on "Alternative Criteria for Qualifying as an Accredited Investor". I also look forward to working with SEC staff and my fellow Commissioners in revisiting the accredited investor definition and considering whether it should be expanded beyond income and net worth. Among the considerations that will inform my view are how investors would be affected by any changes and whether a particular change would help

to open capital formation to groups and regions of the country that have previously been excluded by the existing income and net worth metrics. The ultimate goal is to ensure that investors are adequately protected, while facilitating capital formation and allowing investors access to a range of investment opportunities.

Q.15. How should the SEC strike the balance between investor protection and investor freedom when it comes to the definition of accredited investor?

A.15. Investor protection and investor freedom go hand-in-hand. Precluding an investor from an investment may protect the investor from losses in that particular investment, but may harm the investor's ability to build her portfolio in the manner she judges best. Economic analysis of any changes can help the SEC to strike the proper balance. In the context of accredited investors, for example, the SEC needs to assess how any change in the definition will affect the size and composition of the pool of accredited investors. To help to strike the balance, the SEC also should seek input from investor groups and continue its efforts to collect and analyze relevant data.

Q.16. The marketplace online lending ecosystem has grown significantly as of late. Would you recommend changes to how the SEC approaches this field? For example, should the SEC contemplate creating a broad safe harbor for marketplace online lenders, which scales registration requirements to reflect their unique business model?

A.16. If I am confirmed, I look forward to working with my colleagues to look at how well jurisdictional divisions and SEC registration requirements have worked in this context, particularly as the industry has grown and changed over the years since its inception. If the current regulatory framework is not working, is imposing costs without proportionate benefits, or is uncertain in its application, the SEC should consider a range of alternatives, including a safe harbor or a rule specifically designed for these types of offerings. The SEC should work with other regulators active in this space to ensure that rules are effective, but not duplicative. As with other areas, the key is ensuring that investors are protected and able to obtain the information they need without imposing an undue burden on capital formation.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR ROUNDS FROM HESTER MARIA PEIRCE

Q.1. The New York City Public Advocate recently wrote the SEC asking that it examine publicly traded gun manufacturers with an eye towards charging them with fraud for not disclosing information about gun-related deaths.

Similar questions have been raised about oil companies and climate change. In fact, Attorney General Lynch recently said that the Department of Justice considered prosecuting climate change skeptics.

The idea that the Government would consider prosecuting political opponents is chilling and has no place in our political system.

The SEC should be about safeguarding markets, protecting investors, and helping to foster capital formation.

Attempts to settle political scores that should be decided at the ballot box have no place on the SEC's agenda.

Can you assure me that you will not pursue or support any attempts to politicize corporate disclosure rules—whether for gun control, climate change or any other issue which should be properly decided by Congress?

A.1. The SEC's mission is to protect investors, facilitate capital formation, and maintain fair, orderly, and efficient markets. If I were to be confirmed, I would be committed to ensuring that the SEC focuses exclusively on this mission. In fulfilling this mission, a key role of the SEC is making sure that investors have the information they need to make investment decisions. I would work to ensure that corporate disclosure is designed for this purpose, not for political ends.

Q.2. One of the best tools we have to make sure that regulations are fair and make sense is cost-benefit analysis.

A cost-benefit analysis allows regulators to clearly examine the benefits of a rule and weigh them against the damages caused by the proposed rule.

If a statute is silent on the use of cost-benefit analysis, do you believe the Commission can conduct a cost-benefit analysis or can it only conduct an analysis if the statute explicitly includes that requirement?

A.2. A cost-benefit analysis is an essential tool for the SEC as it seeks to identify the problem it is trying to solve, alternate solutions to the problem, and the costs and benefits associated with each potential solution. If a statute is silent with respect to cost-benefit analysis, the SEC—in furtherance of sound rulemaking and the Commission's commitment to identify real problems and solve them effectively—can and should perform such an analysis.

Q.3. Rather than creating punitive rules which increase compliance costs, what can you do, if you are confirmed, to incentivize regulated entities and investors to make better decisions?

A.3. An important function of the SEC, as a regulatory agency, is to assist regulated persons that want to comply with the law in doing so. The SEC's large compliance program works with regulated entities to help them identify problems and implement effective solutions. When well-intentioned registrants know that they can come to the SEC for guidance in getting things right, they will make better decisions and investors will be better protected. With respect to investor decision making, the SEC's Office of Investor Education and Advocacy works with investors to educate them and encourage them to ask question and receive satisfactory, credible answers before investing. Investor education thus serves to empower investors to make better decisions. Another way to aid investors is to ensure that they have access to accurate ongoing disclosures about their investments and comprehensive, current information about the financial professionals with whom they work.

Q.4. Last year, the New York City pension system issued numerous shareholder proposals on proxy access. Many of these proposals

were centered on energy companies and their purpose was not to improve governance but to push an agenda on climate change.

Two recent reports by the Manhattan Institute have shown that public pension funds that engage in politically motivated corporate governance fights have lower returns forcing taxpayers to foot the bill, while union-sponsored shareholder proposals are concentrated in industries or businesses targeted in organizing campaigns.

What role should the SEC undertake as a gate-keeper to make certain that shareholder proposals and director elections are correlated to the interests of a corporation and its investors, rather than a political or social agenda?

A.4. The SEC staff reviews shareholder proposals when companies ask whether they can exclude them from their proxies without facing an SEC enforcement action. In making such a no-action request, the company identifies a reason for the exclusion that corresponds with one of the bases for exclusion in SEC rule 14a-8, which otherwise requires that proposals be included in the proxy. If I were to be confirmed, I would welcome the opportunity to work with the SEC staff and my fellow Commissioners to take a close look at the shareholder proposal process and determine whether adjustments to the rule or additional guidance are needed in light of the changing volume and nature of such proposals.

Q.5. The Labor Department's proposed Fiduciary rulemaking will radically alter the market for individual retirement savings.

Many commentators believe that rather than protecting investors, it will price many middle class retirement savers out of the market for investment advice.

Can you envision circumstances in which a retirement saver of more modest means could benefit from the personalized advice of someone who knows them and their circumstances but who is not qualified as a fiduciary?

A.5. Over the years, investors have worked with financial professionals subject to a variety of conduct standards. Many of these investors have been served well by financial professionals who are not fiduciaries.

Q.6. In December 2015, the SEC voted to propose rule 18f-4, which would regulate the use of derivatives by registered investment companies. This rule attempts to regulate the use of derivatives to protect investors and reduce systemic risk, but I am concerned that it goes farther than intended and will alter the commodities futures market by setting arbitrary portfolio limitations for derivatives.

The rule appears to incentivize funds to overweight portfolios with stocks and bonds and move away from trading commodities.

What is your view on the regulation of simple, diversifying derivatives?

A.6. The SEC's recently proposed rule 18f-4 under the Investment Company Act would change the way registered investment companies can use derivatives. If confirmed, I would discuss the proposal with my fellow Commissioners and relevant staff and review the comments, the white paper prepared by the Division of Economic and Risk Analysis, and other relevant materials before formulating a position on the rule. An appropriate regulation will balance the

important role that derivatives can play in a portfolio with other investor protection concerns.

Q.7. Do you believe that proposed rule 18f-4 will limit the average investor's ability to access diversifying assets? If so, why? If not, why not?

A.7. For the stated purpose of protecting investors, proposed rule 18f-4 would limit the ability of registered investment companies to use diversifying assets, which in turn would affect investors' investment options. In finalizing the rule, the Commission will have to consider whether the proposed restrictions are appropriately calibrated to achieve the intended objectives without undue adverse consequences for investors. As part of that consideration, the SEC should consider the comment letters it has received and economic analyses conducted by the Division of Economic and Risk Analysis and submitted to the SEC as part of the notice-and-comment process. Economic analysis will be key in understanding how average investors would be affected by such a rule.

Q.8. Are you concerned that this rule could harm rather than protect investors because it incentivizes registered investment companies to concentrate their assets in equities rather than derivatives?

A.8. In connection with any rule that places limitations on investment company holdings, it is important to understand how investors will be affected. In addition to exploring the potential benefits of the rule, if I were confirmed, one question I would ask in connection with this rule is whether and to what degree it could harm investors by limiting the flexibility of registered investment companies to select and pursue investment strategies. The proposing release asks commenters to respond to many questions that are potentially relevant in this context, such as "To what extent do commenters anticipate that proposed rule 18f-4 could lead funds to modify their investment strategies or decrease their use of derivatives?" and "If funds would have to restructure their portfolios to comply with the risk-based portfolio limit, how would they do so?" If confirmed, I look forward to reviewing comments as I seek to understand how registered investment companies would respond to the rule and thus how investors would be affected.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR SCHUMER FROM HESTER MARIA PEIRCE

Q.1. Ms. Peirce, do you believe that information related to a company's corporate political spending should be considered material to prospective investors and/or shareholders?

A.1. The materiality of information related to an issuer's corporate political spending depends heavily on the facts and circumstances. An analysis of materiality needs to consider both quantitative and qualitative factors, such as the size of the expenditure, the size of the corporation, and the corporation's other disclosures. As the Supreme Court has stated, for information to be material, "there must be a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having sig-

nificantly altered the 'total mix' of information made available."[1] Securities law has developed standard metrics for assessing quantitative and qualitative materiality, which I would use in assessing materiality with respect to corporate political spending.

Q.2. Do you believe that the SEC should consider whether investors should be entitled to information disclosing a company's corporate political spending?

A.2. Broad SEC consideration of this issue might occur in response to rulemaking petitions the SEC has received on the issue. Section 707 of the Consolidated Appropriations Act of 2016, however, includes the following limitation on the use of SEC funds:

> None of the funds made available by any division of this Act shall be used by the Securities and Exchange Commission to finalize, issue, or implement any rule, regulation, or order regarding the disclosure of political contributions, contributions to tax exempt organizations, or dues paid to trade associations.

By including this language, Congress seems to have foreclosed the issue for this year. If I am confirmed and if the Chair places the issue on the agenda after this Congressional limitation has expired, I would consider the issue. My consideration would include reviewing relevant rulemaking requests and comment letters and discussing the issue with the Chair, my fellow Commissioners, and SEC staff with expertise in corporate disclosure.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR MENENDEZ FROM HESTER MARIA PEIRCE

Q.1. The issue of corporate political spending is quite simply about materiality and transparency for investors. Demand for this information by public investors has increased steadily in recent years, as has support for such a rulemaking from former SEC Chairs and Commissioners. In fact, former SEC Chairs William Donaldson and Arthur Leavitt wrote to Chair White in May of last year, and said that the Commission's failure to act, "flies in the face of the primary mission of the Commission, which has since 1934 been the protection of investors."

Do you agree with former SEC Chairs Donaldson and Leavitt that shareholders—those that actually own the wealth of corporations—should be informed of political spending decisions made with their money?

A.1. Your question highlights transparency and materiality—two considerations that drive the SEC as it works to ensure that investors have the information they need to make investment decisions. An analysis of materiality needs to consider both quantitative and qualitative factors such as the size of the expenditure, the size of the corporation, and the corporation's other disclosures. As the Supreme Court has stated, for information to be material, "there must be a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having sig-

[1] TSC Industries v. Northway, 426 U.S. 438, 449 (1976).

nificantly altered the 'total mix' of information made available."[1] Securities law has developed standard metrics for assessing quantitative and qualitative materiality, which, if confirmed and if the issue is raised, I would use in assessing materiality with respect to corporate political spending.

Q.2. In your opinion, do diverse boards have the ability to engage in richer and ultimately more effective discussion and debate than those boards that are less diverse?

A.2. Diversity on boards allows people of different backgrounds, expertise, and experience to contribute to decision making. Entities in the public and private sector have benefited from drawing on diverse talent who bring to the table different ways of analyzing and solving problems.

Q.3. Do you agree that a boardroom composed of directors of diverse backgrounds is less likely to practice what can be dangerous "groupthink"?

A.3. Boards that are made up of inquisitive individuals with a diversity of backgrounds, expertise, and experience have the advantage of being able to consider decisions from multiple perspectives. An environment that welcomes people of diverse mindsets is therefore likely to be more resistant to "groupthink."

Q.4. In your opinion, what value do directors of diverse backgrounds bring to board discussions?

A.4. There is an academic literature (some of which is written by my fellow nominee, Professor Lisa Fairfax[2]) that delves deeply into the nuances of this topic. In my opinion, directors of diverse backgrounds bring to bear on decisions their unique personal, academic, intellectual, and professional experiences and distinctive approaches to problem-solving. As noted above, considering issues from multiple perspectives makes it more likely that the full range of challenges and opportunities will be identified and addressed timely and effectively.

Q.5. In your opinion, do investors have the tools necessary to make an informed choice about whether they prefer to work with a broker-dealer operating under a suitability standard or an investment adviser who is a fiduciary?

A.5. It is important that investors understand the nature of their relationship with their financial professionals. The SEC should continue working to eliminate investor confusion in this area. To answer the question of whether investors currently have the tools they need to make an informed choice about working with a broker-dealer operating under a suitability standard or an investment adviser who is a fiduciary, I would want to review the latest relevant work of the SEC's Divisions of Investment Management and Trading and Markets, Office of Investor Education and Advocacy, and Investor Advocate. If confirmed, I also would want to consult with the staff who have been studying the issue, seek feedback from the Investor Advisory Committee, review relevant outside

[1] TSC Industries v. Northway, 426 U.S. 438, 449 (1976).

[2] See, e.g., Lisa M. Fairfax, "Board Diversity and Corporate Performance: Filling in the Gaps: Board Diversity Revisited: New Rationale, Same Old Story?", 89 *N.C.L. REV.* 855 (2011).

studies by investor groups, academics, and others, and discuss these issues with my fellow Commissioners. If I am confirmed and I find that investors do not have enough information to make informed decisions about their financial professionals, I would work with my fellow Commissioners and the staff to devise an appropriate solution.

Q.6. Do you see any reason why we should not have a uniform standard that includes broker-dealers? If confirmed as Commissioner, will you support such a rulemaking?

A.6. Before developing a position on the propriety of a rulemaking that imposed a uniform standard, I would need to see what the specific proposed standard is and analyze it in the context of the existing standards applicable to investment advisers and broker-dealers. Investor protection—including ensuring access to financial professionals for investors at all levels—is an essential consideration in any such analysis. If confirmed and presented with a proposed uniform standard, I would want to discuss this with my fellow Commissioners and consult the staff—including those who work directly with investors—to understand how the rulemaking would affect investors.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR WARNER FROM HESTER MARIA PEIRCE

Q.1. *Unelected Directors:* The Committee on Capital Markets Regulation recently conducted a study examining the frequency with which corporate directors resign or decline to stand for re-election after failing to receive a majority of shareholder votes. The study finds that 85 percent of directors who received less than a majority of votes were still board members 2 years after the vote—so called "unelected directors." To protect the integrity of the shareholder vote in the face of the unelected directors problem, would you be supportive of a Commission regulation requiring, at a very minimum, that corporate boards disclose the specific reasons that an unelected director remain on the board despite the failure to receive a majority of shareholder votes?

A.1. The Committee on Capital Markets Regulation and at least one investor group have made recommendations to the SEC regarding directors remaining on boards after failing to receive a majority vote. If confirmed, I would welcome the opportunity to review these recommendations, the Committee on Capital Markets Regulation study, and other relevant studies and data to understand—along with my fellow Commissioners and informed by the SEC staff—whether there is a need for a Commission regulation and, if so, whether a disclosure approach is appropriate. As with other issues in this area, an important consideration is the roles that State corporate law and SEC regulation play in building effective corporate governance that enables companies to operate efficiently and ensures accountability to shareholders.

Q.2. *Corporate Disclosures:* The SEC uses outdated documents, instead of standardized data, to collect most corporate disclosures. This means companies must file the same information multiple times, and investors must hunt through documents for relevant in-

formation (or pay aggregators to do it for them). The U.S. Chamber of Commerce has called on the SEC to consider a "company file" approach, in which companies would electronically update material information, rather than filing redundant documents. Last summer, Senator Crapo and I asked the SEC to work toward transforming its whole corporate disclosure system from documents to standardized data, which is a necessary first step for the "company file" to be possible. Do you believe that the SEC should modernize the corporate disclosure system in this manner?

A.2. An important undertaking for the SEC is to eliminate redundant disclosures by companies and ensure that investors have ready access in a usable format to the information they need to make informed investment decisions. The SEC's ongoing Disclosure Effectiveness initiative is a valuable step in identifying what the SEC can do to achieve these objectives. If confirmed, I look forward to working with my fellow Commissioners and the SEC staff on this initiative and related efforts to improve corporate disclosure. Discussions within the SEC and with people who prepare and use corporate disclosures will help me to determine how the SEC should modernize disclosure. As you have emphasized, any such approach should incorporate technology as a tool for maximizing the value of corporate disclosures. If carefully undertaken, the continuing move toward standardized data offers great promise for companies and investors.

ADDITIONAL MATERIAL SUPPLIED FOR THE RECORD

CHARTS SUBMITTED BY SENATOR BROWN

Banking Committee Nominees

Nominee	Position, Office	Nominated	Days Pending
Leslie Bains	Director, SIPC	7/25/2013	964
Jay Lerner	Inspector General, FDIC	11/12/2014	489
John Mendez	Director, SIPC	11/13/2014	488
Allan Landon	Governor, Federal Reserve	1/7/2015	433
Amias Gerety	Assistant Secretary, Treasury	2/25/2015	384
Adam Szubin	Under Secretary, Treasury	4/20/2015	330
Rhett Jeppson	Director, Mint	7/13/2015	246
Kathryn Dominguez	Governor, Federal Reserve	7/21/2015	238
Lisa Fairfax	Commissioner, SEC	10/21/2015	146
Hester Peirce	Commissioner, SEC	10/21/2015	146
Mark McWatters	Board Member, Ex-Im Bank	1/11/2016	64
Raymond Farmer	Board Member, NARAB	1/11/2016	64
Thomas McLeary	Board Member, NARAB	1/11/2016	64
Michael Rothman	Board Member, NARAB	1/11/2016	64
Heather Steinmiller	Board Member, NARAB	1/11/2016	64
Susan Castaneda	Board Member, NARAB	3/3/2016	12
Withdrawn			
Therese McMillan	Administrator, FTA	7/28/2014	584
Adewale Adeyemo	Assistant Secretary, Treasury	11/12/2014	401
Patricia Loui-Schmicker	Board Member, Ex-Im Bank	3/16/2015	301

March 15, 2016 Source: Legislative Information System

Banking Committee Nominees

Congress	Nominees	Considered	Confirmed
114th	19	26%	0%
113th	30	87%	80%
112th	39	90%	85%
111th	39	97%	87%
110th	32	81%	81%
109th	50	94%	94%
108th	38	87%	84%
107th	57	95%	95%

Source: Legislative Information System