



## SENATE BANKING COMMITTEE HEARING

### OVERVIEW

For questions please contact [Hope Jarkowski](#) or [Kwon Park](#) at (202) 547-3035.

Today, the Senate Banking Committee met in open session to conduct a hearing on the following nominations: Matthew Jeppson to be Director of the U.S. Mint; Lisa Fairfax to be a Commissioner of the U.S. Securities and Exchange Commission (SEC); and Hester Peirce to be a Commissioner of the SEC.

### Key Takeaways

- Senators Shumer (D-NY) and Menendez (D-NJ) stated that they will oppose both SEC Commissioner confirmations if Fairfax and Peirce do not promise to pursue the political spending disclosure rule.
- Senator Warren (D-MA) questioned Peirce's ability to become a market watchdog (as an SEC Commissioner) due to her academic work on the negative impacts of Dodd-Frank.

### SUMMARY

#### Opening Statement and Testimony

##### [Chairman Richard Shelby \(R-AL\)](#)

- 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.

##### [Ranking Member Sherrod Brown \(D-OH\)](#)

- I know there are disagreements with President Obama's policies. But he was elected the chief executive of our country – twice. He has the right to put well-qualified people in executive positions to carry out his policies and to enforce the law.
- In order to navigate an ever-changing financial market landscape, the SEC must work closely with other regulators – in the U.S. and abroad – to make sure the markets function well and that investors are protected. SEC Commissioners owe a duty to the public to achieve those goals, and we need to ensure the SEC has the people and the resources to do so.

##### [Matthew Rhett Jeppson of Florida](#)

- In 2016 the U.S. Mint's mission is more important than ever - cash accounts for 40% of money transfers today.

##### [Lisa M. Fairfax of Maryland](#)

- If confirmed, I will work tirelessly to carry out the SEC's mission.

##### [Hester Maria Peirce of Ohio](#)

- Vibrant capital markets will fund companies to enhance our nation's prosperity.

- Investors must be protected and must have confidence in the markets and the financial system.

## Discussion

---

### SEC Regulatory Review

*Shelby:* How important is the economic analysis as part of rulemakings? Should regulators do a retroactive review or rulemakings? *Peirce:* Economic analysis is very important and is a way to identify problems, to look for solutions, and to anticipate unintended consequences. Retroactive review is tremendously important – one area that needs review is equity market structure; *Fairfax:* Economic analysis is an important tool to ensure market participants are aware of its impacts. Retroactive review is also important to analyze whether regulators got the rule right.

*Brown:* Thoughts on the changing regulatory landscape? *Peirce:* The financial crisis showed that changes in financial regulation were necessary. However, some of the changes put in place are not effective. We need to make sure Dodd-Frank is working well and be willing to make changes if necessary.

*Heller (R-NV):* Any regulation currently in place where the costs outweigh the benefits? *Peirce:* The conflict minerals rule; *Fairfax:* Engaging in cost benefit analysis is very important. If a rule's costs exceed the benefits, I am open to addressing that.

*Scott (R-SC):* Views on how to use data to explore advantages and disadvantages of rules? *Peirce:* The SEC should look at publicly available data sources and private databases; *Fairfax:* The SEC should find ways to fill data gaps. Where data is not available, the Commission should properly determine costs versus passing the rule in a timely manner.

*Cotton (R-AR):* What does the trend in broker dealer consolidation imply to municipal and smaller investors? *Peirce:* Small financial firms are feeling regulatory pressures that large firms might not.

### SEC Enforcement

*Shelby:* Views on the SEC's enforcement program and bringing more enforcement actions against individual bad actors? *Peirce:* We need a strong, clear, and swift enforcement program. It is important to press forward in claims against individual bad actors even when it is difficult and more resource extensive; *Fairfax:* We need to aggressively engage in enforcement efforts to protect investors.

*Brown:* Thoughts on settlements with an admissions of guilt? *Peirce:* Admit or deny, settlement sends a stronger message with an admission of wrongdoing. Sometimes the SEC should pursue admissions of guilt, especially with repeat offenders.

### SEC Rulemaking

*Brown:* As Commissioners, are you committed to fulfill required rulemakings regardless of your personal views? *Peirce:* Yes, but the Chair controls the agenda; *Fairfax:* Completing the mandates of Dodd-Frank is important, and as Commissioner, I will pursue that.

### Corporate Governance

*Brown:* What element is important in corporate governance? *Fairfax:* The tone at the top is very important and those executives need to have independence, remain objective, and possess expertise.

*Reed (D-RI):* Top objective with respect to shareholder protection? *Fairfax:* One priority is market structure as it is very linked to shareholder protection. Corporate disclosure is important to make sure investors have the right information. I believe proxy apparatus and voting structures should be

changed; *Peirce*: Disclosure effectiveness needs review. If confirmed, am open to reviewing shareholder issues.

*Rounds (R-SD)*: The sale of a gun from Walmart – is it really offensive to community values? Thoughts on the Supreme Court Hobby Lobby decision where you signed onto an amicus brief? *Fairfax*: Signing on to the brief was not aimed at one company or issue, but aimed at corporate governance principles - allowing directors and officers to set corporate governance standards versus protecting shareholders.

### **Credentials**

*Heller (R-NV)*: What is your experience of practicing securities law in the past? *Peirce*: Law firm, Congress, and at a think tank. I have no experience in fixed income, but my door is open to hear all perspectives – the SEC needs to pay more attention; *Fairfax*: Law firm, and work with FINRA and the ABA.

*Warren (D-MA)*: What kind of watchdog will you be if you think parts of Dodd-Frank are pointless? *Peirce*: My opinions and comments were not as a regulator implementing those rules but as an academic.

### **DOL Fiduciary Rule**

*Scott (R-SC)*: The Department of Labor's (DOL) fiduciary rule – is it good or bad for government to pick winners and losers in this area? *Peirce*: I heard that SEC input was not properly considered by DOL. We must understand how this rule impacts everyday investors; *Fairfax*: Protecting access to quality financial advice is important.

### **Political Spending Disclosure**

*Shumer (D-NY)*: Do you believe shareholders have a right to know a company's political spending? *Fairfax*: My role as Commissioner is to consider various viewpoints – some people argue that this information is immaterial for disclosure; *Peirce*: I will need to see the actual language of this rule when written.

*Menendez (D-NJ)*: If confirmed, what steps will you take to move forward on this rule? *Fairfax*: The Chair makes the ultimate decision. At the second level, I will solicit additional information; *Peirce*: The Chair sets the agenda.

*Merkley (D-OR)*: Political activities of corporations - do shareholders have a right to know? *Fairfax and Peirce*: If this issue came up to the SEC, we will listen to all interested parties.

### **FINRA**

*Cotton (R-AR)*: Views on FINRA? *Peirce*: FINRA has changed over time and it is questionable who the organization is now accountable to. There are ways to shore up certain aspects of FINRA so the organization is working as it should.

### **U.S. Mint**

*Shelby*: What is the future of mints and coins in the U.S.? *Jeppson*: Mints and coins continue to be strong and circulation will be in the \$15-20 billion range. We have instituted outreach and instituted online sales to broaden our appeal to larger demographic of coin collectors.

*Brown*: How will you address recruiting challenges? *Jeppson*: We have begun a training program preparing our employees for more leadership roles.