

## MEMORANDUM

**To:** File Nos. S7-07-18, S7-08-18, S7-09-18

**From:** Eric Diamond, Senior Advisor to Chairman Jay Clayton

**Re:** Standards of Conduct for Investment Professionals

**Date:** March 8, 2019

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On February 21, 2019, Chairman Jay Clayton, Commissioner Elad Roisman, Lucas Moskowitz (Chief of Staff to Chairman Clayton), Eric Diamond (Senior Advisor to Chairman Clayton), Elizabeth Blase (Counsel to Commissioner Roisman), Chyhe Becker (Acting Director, DERA) Narahari Phatak (Associate Director, DERA), Mattias Nilsson (DERA) and Iulian Obreja (DERA) met with Professors Chester Spatt and Mark Flannery.

The meeting participants discussed, among other things, the SEC's proposed rules and interpretation relating to standards of conduct for investment professionals. Following the meeting, Chairman Clayton sent Professors Spatt and Flannery the attached letter.



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

February 26, 2019

Prof. Chester Spatt  
Tepper School of Business  
Carnegie Mellon University  
5000 Forbes Avenue  
Pittsburgh, PA 15213

Prof. Mark Flannery  
Warrington College of Business  
University of Florida  
PO Box 117168  
Gainesville, FL 32611

Dear Chester and Mark:

Thank you for the letter dated February 6, 2019 that you, along with several other former senior economists of the Securities and Exchange Commission, provided regarding the proposed rulemaking package relating to the standards of conduct for investment professionals, including proposed Regulation Best Interest and proposed Form CRS. Although the comment period for the proposed rulemaking package closed on August 7, 2018, the staff of the Division of Economic and Risk Analysis will take your letter into consideration in developing its economic analysis in connection with our rulemaking.

I also greatly appreciate that you took the time last week to meet with me, Commissioner Roisman, and staff from our offices and the Division of Economic and Risk Analysis. While I believe our economic analysis in connection with the proposed rulemaking package was robust, it was beneficial for us to hear directly how you believe our economic analyses can better support our rulemaking efforts. I also enjoyed discussing our shared interest in increasing transparency for retail investors and the issues presented by various principal-agent scenarios.

Thank you again for your letter, for your interest in this important issue, and for your time. Please do not hesitate to contact me at (202) 551-2100 or Chyhe Becker, Acting Director, Division of Economic and Risk Analysis at (202) 551-6600 if you have any additional concerns or comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jay Clayton", with a long horizontal line extending to the right.

Jay Clayton  
Chairman

cc: Elad Roisman, Commissioner  
Chyhe Becker, Acting Director, Division of Economic and Risk Analysis