

Procedures for Appointments to the Investor Advisory Committee

I. Introduction

Section 39 of the Securities Exchange Act of 1934 (the “Exchange Act”)¹ establishes the Investor Advisory Committee (the “Committee”) and requires the Commission to appoint a *minimum of 10* and a *maximum of 20* members to the Committee who:

- Represent the interests of individual equity and debt investors, including investors in mutual funds;
- Represent the interests of institutional investors, including the interests of pension funds and registered investment companies;
- Are knowledgeable about investment issues and decisions; and
- Have reputations for integrity.²

In addition to these 10-20 members, Exchange Act Section 39 requires the Commission to appoint a representative of state securities commissioners and a “representative of the interests of senior citizens.”³ Section 39 also provides that the Investor Advocate shall serve as a member of the Committee.

II. Background of the Investor Advisory Committee

Exchange Act Section 39(a) states that the purpose of the Committee is to advise and consult with the Commission on:

- Regulatory priorities of the Commission;
- Issues relating to the regulation of securities products, trading strategies, fee structures, and the effectiveness of disclosure;
- Initiatives to protect investor interests; and
- Initiatives to promote investor confidence and the integrity of the securities marketplace.

The statute requires the Committee to submit such findings and recommendations to the Commission as the Committee determines are appropriate, including recommendations for proposed legislative changes.⁴ The statute mandates further that the Commission review the findings and recommendations of the Committee and promptly issue a public statement assessing

¹ 15 U.S.C. § 78pp (2012).

² Exchange Act Section 39(b)(1)(D), 15 U.S.C. § 78pp(b)(1)(D).

³ Exchange Act Section 39(b)(1)(B)&(C), 15 U.S.C. § 78pp(b)(1)(B)&(C).

⁴ Exchange Act Section 39(a)(2)(B), 15 U.S.C. § 78pp(a)(2)(B).

each finding or recommendation and disclosing what action, if any, the Commission intends to take with respect to the finding or recommendation.⁵

Members of the Committee who are not full-time employees of the United States are compensated “for each day during which the member is engaged in the actual performance of the duties of the Committee” as well as for travel expenses.⁶ Although the Committee is required to meet at least two times per year, it typically meets four times per year on a quarterly basis.

The term of service for members of the Committee is four years.⁷ The Committee’s charter currently provides that the members of the Committee will elect, from the members of the Committee, a chairman and vice-chairman (neither of whom may be employed by an issuer), as well as a secretary and assistant secretary. Each new member is appointed to serve a full four-year term; the new member does not serve out the unexpired portion of the predecessor’s term. Each member serves at the pleasure of the Commission.

III. The Nomination Process

A. Nominations to Fill Member Vacancies

Upon the resignation, removal, or expiration of the term of any member of the Committee, the Nominating Committee, as defined below, will prepare a list of potential replacement candidates. Potential replacement candidates for consideration by the Nominating Committee may be suggested by any member of the Nominating Committee or by direct submission from the public.⁸

The Nominating Committee will be composed of one staff member from each of the following SEC Divisions and Offices:

- Compliance Inspections and Examinations;
- Corporation Finance;
- Economic and Risk Analysis;
- Enforcement;
- Investment Management;
- Investor Advocate;
- Investor Education and Advocacy;

⁵ Exchange Act Section 39(g), 15 U.S.C. § 78pp(g).

⁶ Exchange Act Section 39(e), 15 U.S.C. § 78pp(e). The rate of compensation for performance of duties is the equivalent of the rate for a level V position of the Executive Schedule under 5 U.S.C. § 5316. The rate for travel expenses is in accordance with 5 U.S.C. § 5703(b). Pursuant to Exchange Act Section 39(b)(3), members of the Committee shall not be deemed to be employees or agents of the Commission solely because of membership on the Committee.

⁷ Exchange Act Section 39(b)(2), 15 U.S.C. § 78pp(b)(2).

⁸ The webpage for the Committee has a link to an e-mail box that the public can use for submission of candidates. See <https://www.sec.gov/spotlight/investor-advisory-committee.shtml>.

- Minority and Women Inclusion; and
- Trading and Markets.

In addition to the SEC staff designated by those Divisions and Offices, the Nominating Committee will include, in an ex officio and non-voting capacity, one counsel from each Commissioner's staff (together, the "Nominating Committee"). Specifically, each Commissioner will have the discretion to choose one counsel from his or her staff to serve as an ex officio member of the Nominating Committee. The Nominating Committee will select a Chair for a term of one year from among its members (other than the ex officio members). The Chair will be responsible for leading the Nominating Committee through the process of identifying and nominating candidates when there is a Committee vacancy. Each Division and Office representative will serve a one-year term as Chair of the Nominating Committee until each representative has served in that role. At that point, the rotation among the Division and Office representatives will repeat itself. The representative from the Office of Minority and Women Inclusion will serve as the inaugural Chair of the Nominating Committee.

In preparing the list of potential replacement candidates, the Nominating Committee will identify candidates based on the functional category of the vacancy; these functional categories ("Functional Membership Categories") are listed on Annex A attached hereto.⁹ The SEC has used a selection process based on functional membership categories for other advisory committees including the Asset Management Advisory Committee, the Fixed Income Market Structure Advisory Committee, and the Small Business Capital Formation Advisory Committee.¹⁰ For example, if the outgoing member represented a particular Functional Membership Category (e.g., "Specialized retail: fraud-targeted investor group"), the Nominating Committee will seek to identify candidates appropriate for that Functional Membership Category.

IV. Appointment of Committee Member

The authority for appointment of all members of the Committee (other than the Investor Advocate, who is statutorily mandated as a result of his or her position) rests with the Commission.¹¹ After the Commission has voted to approve the appointment of a nominee to the Committee, OIAD will contact the new member to offer assistance and provide details regarding membership on the Committee.

⁹ Functional Membership Categories may be modified by the Commission from time to time. As the purpose of the Committee is to provide the Commission with outside views and perspectives, no member of the SEC staff will be considered for appointment to the Committee.

¹⁰ For reference, the current functional membership categories for the SEC's other advisory committees are attached as Annex B, C, and D.

¹¹ For avoidance of doubt, the procedures outlined in this memorandum will apply to the representative of State securities commissions and the representative of the interests of senior citizens. For the representative of State securities commissions, we expect that the North American Securities Administrators Association ("NASAA") will provide names of State representatives who indicated to NASAA an interest in serving.

New members will be informed that if their personal circumstances change materially (e.g., a change in employment or professional affiliation) such that it would be reasonable to conclude that they would no longer be a viable candidate for the Functional Membership Category that was the basis for the member's selection, the member would be expected to offer to resign from the Committee. The Nominating Committee will consider and recommend to the Commission whether, despite a material change in personal circumstance, the Committee member should remain a member of the Committee. The ultimate decision rests with the Commission.

In addition, new members will be informed that in no event should a member use his or her membership on the Committee to obtain a personal financial gain. For example, a member may not advertise his or her position on the Committee to further any financial interest such as serving as a consultant on matters related to the work of the SEC. Failure to meet these expectations could result in the member's removal and replacement.

To ensure fresh perspectives on the Committee, existing members who have served one full term will not be renominated to serve an additional consecutive term. Instead, the Nominating Committee will select a different candidate for the Functional Membership Category that was the basis for the member's selection in accordance with the process outlined above.

Annex A – Functional Membership Categories

The Functional Membership Categories, except the State Securities Regulator and Investor Advocate, shall be construed to include individuals representing the interests of the Functional Membership Categories (whether as a representative of an organization or individually).

	Category
1.	Retail investor
2.	Specialized retail: angel investor/investor in private securities
3.	Specialized retail: investor in non-traditional investments (Business Development Companies, real estate investment trusts, asset-backed securities, <i>etc.</i>)
4.	Specialized retail: fraud-targeted investor group (e.g., teachers, military, affinity groups, <i>etc.</i>)
5.	Claimants' counsel/victim representative (e.g., receiver)
6.	Retail investment advice provider (preferably a dually licensed investment advisor or broker-dealer individual)
7.	Retirement/savings plans, including plan consultants -- 401(k)
8.	Retirement/savings plans, including plan consultants -- other non-taxable plan
9.	Large institutional investor
10.	Small institutional investor
11.	Financial analyst
12.	Pension fund
13.	Hedge fund/private equity/venture capital
14.	Fund registered under the Investment Company Act of 1940 (e.g., mutual fund, exchange-traded fund)
15.	Academic
16.	Market structure/trading expert – equity
17.	Market structure/trading expert- debt

18.	Accountant/auditor
19.	Investor education professional
20.	At-large member
21.	Representative of the interests of senior citizens*
22.	State securities regulator*
23.	SEC Investor Advocate*

* Statutorily mandated

**Annex B – Current Functional Membership Categories for
Asset Management Advisory Committee**

Category*
Fund Sponsors , such as those with actively-managed, passively-managed, and private funds
Registered Advisers , such as those with retail clients in separately-managed accounts
Investors , including retail and institutional investors
Fund Board Members , such as a board member from a large fund
Service Providers , such as auditors and distributors
Exchanges/Electronic Platforms
Broker-Dealers
Academics/Economists
Data Providers/Independent Research Analysts
Other Market Participants (1-3) , such as those focusing on the effects of technology and role of globalization

*These categories are subsumed within the categories described in the Asset Management Advisory Committee Charter available at: <https://www.sec.gov/files/AMAC-Charter-Filed.pdf>.

**Annex C – Current Functional Membership Categories for
Fixed Income Market Structure Advisory Committee**

	Category*
1.	Committee Chairman
2.	Institutional Dealer (bank affiliated)
3.	Institutional Dealer (non-bank affiliated)
4.	Retail Dealer
5.	Regional Municipal Securities Dealer
6.	Retail Investor
7.	Small Institutional Investor
8.	Large Institutional Investor
9.	Large Institutional Investor
10.	Municipal Market Analysts/Institutional Investor
11.	Proprietary Trading Firm
12.	Proprietary Trading Firm
13.	Small Issuer
14.	Large Issuer
15.	Municipal Issuer
16.	ETF Sponsor
17.	Trading Venue (established)
18.	Trading Venue (emerging)
19.	Evaluated Pricing Service
20.	Academic
21.	Academic

22.	FINRA**
23.	MSRB**

*These categories are subsumed within the categories described in the Fixed Income Market Structure Advisory Committee Charter available at: <https://www.sec.gov/files/fimsac-charter.pdf>.

** Non-voting

**Annex D – Current Functional Membership Categories for
Small Business Capital Formation Advisory Committee**

	Category
Small Businesses	
1.	Small or emerging company
2.	Small or emerging company
3.	Pre- or recent-IPO company
4.	Smaller public company
5.	Small business service provider, accelerator or incubator
Small Business Advisors	
6.	Attorney with experience on smaller offerings
7.	Attorney with experience on later stage pre-IPO rounds
8.	Investment bank
9.	Accountant
10.	Advisor to pre- and post-IPO companies
Investors	
11.	Early-stage investor
12.	Angel investor group/fund
13.	Venture capital fund
Marketplace Participants	
14.	Online capital raising platform or advisor
15.	Other marketplace participant
Government Representatives	
16.	SEC Advocate for Small Business Capital Formation

17.	SEC Investor Advocate Representative*
18.	NASAA Representative*
19.	SBA Representative*
20.	FINRA Observer*

* Non-voting