

**Securities and Exchange Commission Investor Advisory Committee
Minutes of the Meeting on June 14, 2018**

On June 14, 2018, the Investor Advisory Committee (IAC) met for the first time in a location outside of Washington, D.C. The public meeting was held at Georgia State University College of Law in Atlanta, Georgia. The meeting convened shortly after 8:30 a.m. and was broadcast live by webcast.

The following persons participated in the meeting:

Commissioners of the Securities and Exchange Commission

Chairman Jay Clayton (by telephone, morning only)
Commissioner Kara Stein (morning only)
Commissioner Michael Piwowar (morning only)
Commissioner Robert Jackson, Jr. (morning only)
Commissioner Hester Peirce

Advisory Committee Members¹

Anne Sheehan (Chair)
Elisse Walter (Vice Chair)
Craig Goettsch (Secretary)
Allison Bennington
John Coates (by telephone)
Rick Fleming
Matthew Furman
Stephen Holmes
William Lee
Jennifer Marietta-Westberg
Paul Mahoney
Barbara Roper
Damon Silvers
Jerome Solomon
Susan Ferris Wyderko
Paul Mahoney
Lydia Mashburn
J.W. Verret

MORNING SESSION

Welcome Remarks

Chairman Anne Sheehan called the meeting to order shortly after 8:30 a.m. and welcomed three new committee members: Paul Mahoney, Lydia Mashburn, and J.W. Verret.

¹ Lisa Fairfax , Heidi Stam, Nancy LeaMond, Mina Nguyen, and Anne Simpson were absent.

SEC Chairman Jay Clayton, calling in from Washington, D.C., attempted to participate but was unable to hear the other participants because of technical difficulties. Therefore, he made brief opening remarks and directed his [full statement](#) to be posted on the Commission website.² Commissioners Stein, Piowar, Jackson, and Peirce welcomed the three new IAC members and commented on the topic of the two panel discussions: the proposed Regulation Best Interest and Form CRS.

Approval of the Minutes of the March 8 Meeting

Following a motion made by Stephen Holmes and seconded, the Committee voted unanimously to approve the minutes of the previous meeting on March 8, 2018.

Discussion of the Commission's Proposed Regulation Best Interest and Proposed Restriction on the Use of Certain Names or Titles

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

- Maureen Thompson, Vice President of Public Policy, Certified Financial Planner Board of Standards
- Micah Hauptman, Financial Services Counsel, Consumer Federation of America
- James Allen, Head of Capital Markets Policy for the Americas, CFA Institute
- Karen Barr, President and CEO, Investment Adviser Association
- Ira Hammerman, Executive Vice President and General Counsel, SIFMA

In her opening remarks, Ms. Thompson stated that the CFP Board and the Financial Planning Coalition have advocated for a fiduciary standard for all investment advice. She argued that the Commission's proposed best interest standard lacked a clear definition, though it was similar in some respects with a fiduciary standard.

Mr. Hauptman maintained that the proposed Regulation Best Interest presented a host of problems and failed to create a uniform fiduciary standard for brokers and investment advisers. He asserted that there were significant gaps in the applicability of the best interest standard, and he urged the Commission to cure what he saw as deficiencies by amending the proposal.

Mr. Allen, while applauding the Commission in moving forward with its proposed rules package, argued that the best interest standard fell short. He contrasted it with the standard adopted by the CFA Institute for its members.

Ms. Barr also commended the Commission for moving forward and offered preliminary observations, including some concerns. She noted that the fiduciary duty serves as the bedrock principle of investor protection for clients of investment advisers.

² <https://www.sec.gov/news/public-statement/clayton-statement-investor-advisory-committee-061418>.

Mr. Hammerman spoke in support of Regulation Best Interest, which he said was essentially a fiduciary standard. He sought to rebut specific criticisms of the proposal, including the argument that the best interest standard was undefined. Mr. Hammerman noted that the term “fiduciary” does not appear in the Investment Adviser Act of 1940. He praised the proposed rulemaking for seeking to preserve investor choice of financial products, services, and payment mechanisms.

A discussion with Committee members followed.

Discussion Regarding the Commission’s Proposed Form CRS Relationship Summary, including Effective Disclosure and Design

After a short break, Chairman Sheehan introduced the topics and the panel members, who spoke in the following order:

- Dale Brown, President and CEO, the Financial Services Institute
- David Certner, Legislative Counsel and Director of Legislative Policy for Government Affairs, AARP
- Susan Kleimann, Founder and President, Kleimann Communication Group, Inc.
- Joe Carberry, Senior Vice President and Corporate Communications, Charles Schwab & Co., Inc.

Mr. Brown said that the greatest benefit of the customer relationship summary would come from the conversations it facilitates between clients and their financial advisers. He also said that Form CRS matched many aspects of a two-tier disclosure regime supported by the Financial Services Institute.

Mr. Certner argued that Form CRS disclosures would fail to achieve their intended clarity, mainly because the best interest standard itself was undefined, and that the relationship summary for dual registrants would likely confuse investors. He commended the Commission’s efforts to restrict the use of the term “adviser” or “advisor.” Finally, Mr. Certner said that the results of investor testing were needed before the proposal could be fully evaluated.

Ms. Kleimann explained how she would apply her knowledge of effective disclosures to Form CRS. Illustrating her remarks with slides and sample documents, she expounded on how investors read documents, how document design affects interpretation, what the benefits of short and coherent writing were, and the need to test disclosures for performance.

Mr. Carberry said that Charles Schwab & Co. supported the intent and core components of the proposed relationship summary, but expressed concern that it may not be brief enough or layered enough to overcome peoples’ tendency to ignore or overlook information they think may be complex or lengthy. He critiqued Form CRS based on effective communication and design principles, and he offered a one-page alternative design.

A discussion ensued, in which the committee members participated.

RECESS

The Committee went into recess for lunch and a non-public administrative session at approximately 12:30 p.m.

AFTERNOON SESSION

Discussion Regarding Disclosure Enhancements for Municipal and Corporate Bonds (including a Recommendation of the Market Structure Subcommittee)

The public meeting resumed at 1:45 p.m. Mr. Furman summarized a Recommendation of the Market Structure Subcommittee titled, "Select Enhancements to Protect Retail Investors in Municipal and Corporate Bonds."

Following a discussion among members, a motion was made and seconded to vote on the proposed recommendation and to approve in concept additional text to be worked out subsequently based on a suggestion by Mr. Silvers. The Committee voted to approve the motion, with all members voting in favor except for Mr. Silvers, who abstained.

New Business

Mr. Holmes offered a recap of the previous day's SEC Townhall in the same building. He praised the event as a great value for taxpayers.

CLOSING

Chairman Sheehan adjourned the meeting at 2:11 p.m.