

**Securities and Exchange Commission Investor Advisory Committee  
Minutes of the Meeting on June 22, 2017**

The Investor Advisory Committee (IAC) met on June 22, 2017, in a public meeting at the Securities and Exchange Commission's headquarters in Washington, D.C. The meeting convened at about 10 a.m. and was broadcast live by [webcast](#).

The following persons attended the meeting:

**Commissioners of the Securities and Exchange Commission**

Chairman Jay Clayton  
Commissioner Kara Stein

**Advisory Committee Members<sup>1</sup>**

Anne Sheehan, Chairman  
John Coates  
Lisa M. Fairfax  
Rick Fleming  
Matthew Furman  
Stephen Holmes  
Craig Goetsch  
Nancy LeaMond  
William D. Lee (by phone)  
Hester Peirce  
Anne Simpson  
Damon Silvers  
Jerome Solomon  
Elisse Walter (by phone)

**MORNING SESSION**

**Opening Remarks**

Vice Chairman Anne Sheehan opened the meeting by welcoming new SEC Chairman Jay Clayton and thanking previous IAC Chairman Kurt Schacht for his years of service.

In his [opening remarks](#), Chairman Clayton also thanked Mr. Schacht for his valuable contributions. Chairman Clayton went on to note that he shared the IAC's interests in two areas in particular: transparency for retail investors in fixed income markets, and ensuring that Main Street investors –and older investors in particular – have the tools they need to make informed investment decisions. He took note of both panel discussion topics.

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<sup>1</sup> Joseph V. Carcello, Barbara Roper, and Susan Wyderko were absent.

Commissioner Stein, in her opening remarks, highlighted the impact of deregulation of private investment on trends in public markets.

### **Approval of the Minutes of the Meeting on March 9, 2017**

After a motion was made and seconded, the Committee voted unanimously to approve the minutes of its previous public meeting on March 9, 2017.

### **Election of Officers**

Ms. Sheehan turned the meeting over to Mr. Goettsch for the election of officers, because she was running to fill the vacant position of Chairman. Mr. Holmes nominated Ms. Sheehan for that position, and Ms. Walter seconded the motion. The Committee then voted unanimously to elect Ms. Sheehan to be its new Chairman. Mr. Goettsch then ceded the floor back to Ms. Sheehan. She asked for nominations to fill the position of Vice Chairman, which she had just vacated with her election as Chairman. Mr. Coates nominated Ms. Walter, and Mr. Furman seconded the motion. The Committee then voted unanimously to elect Ms. Walter to the position of Vice Chairman.

### **Discussion Regarding Capital Formation, Smaller Companies, and the Declining Number of Initial Public Offerings**

Ms. Sheehan introduced the topic and the five panelists, who spoke in the following order:

- **Jackie Kelley**, Americas IPO Markets Leader, EY
- **Jim Brau**, Joel C. Peterson Professor of Finance, Marriott School, Brigham Young University
- **Jeff Solomon**, President, Cowen
- **Elisabeth de Fontenay**, Associate Professor, Duke University School of Law
- **Scott Kupor**, Managing Partner, Andreessen Horowitz

Ms. Kelley described findings from a recent Ernst and Young study on the decline in the number of IPOs in U.S. listed public companies. She also highlighted fundamental questions that the study raised for policymakers. (The [study](#) is available on the IAC webpage.)

Mr. Brau reviewed academic research, including an article he co-published on why big companies choose to go public. He observed that, according to a survey he conducted of CFOs, the need for growth capital was near the bottom of the list. (An [outline](#) of his remarks is available on the IAC webpage.)

Mr. Solomon offered policy recommendations on how to encourage more IPO activity, especially for small companies. He analyzed three parts of the ecosystem: capital providers, investment banks, and issuers. (Slides of his [presentation](#) are available on the IAC webpage.)

Ms. de Fontenay argued that an exclusive focus on increases in public company regulation ignores the dramatic deregulation of private capital raising. She said that deregulation of private

capital had made it much easier to raise capital privately, thus removing the main incentive for companies to go public. (Her [article](#) on the topic is available on the IAC webpage.)

Mr. Kupor, who participated by video teleconference, spoke of a wealth shift favoring investors in private companies, who capture most of the appreciation gains before a company goes public, if it does so at all. Mr. Kupor described obstacles to going public and suggested various policy solutions. (A copy of his [remarks](#) is available on the IAC webpage.)

An extended discussion with Committee members followed. Among other topics, comments focused on the price discovery and informational benefits of public markets.

## **RECESS**

The Committee went into recess at 12:20 p.m. for lunch and a non-public administrative session.

## **AFTERNOON SESSION**

The public meeting resumed at approximately 1:30 p.m.

### **Overview of Certain Provisions of the Financial CHOICE Act of 2017 Relating to the SEC**

Mr. Coates introduced the topic and the three panelists, who spoke in the following order:

- Paul G. Mahoney, David and Mary Harrison Distinguished Professor, University of Virginia School of Law
- Joseph Brady, Executive Director, North American Securities Administrators Association (NASAA)
- John C. Coffee Jr., Adolf A. Berle Professor of Law and Director of the Center on Corporate Governance, Columbia Law School

Mr. Mahoney spoke in favor of the CHOICE Act's provisions regarding cost-benefit analysis, which he said would shield the Commission from external pressure and would allow it to focus on regulations with the highest net social benefit. Mr. Mahoney also maintained that the bill would reverse what he called the SEC's drift away from its core mission to protect investors, principally by alleviating information and agency problems.

Mr. Brady spoke of the bill's provisions related to enforcement, regulations, and capital formation, including those relating to private placement offerings under Regulation D and Rule 506.

Mr. Coffee focused on the impact that the CHOICE Act, if adopted, would have on SEC administrative enforcement. He described the legislation as a very mixed bag, with one provision that he said would disable SEC enforcement, while another would, in his words, give the Commission a virtual nuclear option. (A copy of his [remarks](#) is available on the IAC webpage.)

A discussion with Committee members ensued.

**Closing**

Ms. Sheehan adjourned the meeting at 2:40 p.m.